Austria ... Sch. 20	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din 0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium ... BFr.45	Italy ..... L 1800	S. Arabia .. Rls 6.00
Canada ... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain .... Pta 125
Denmark . Dkr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£1.50	Lebanon . £1.25.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr 2.20
France .. Fr. 8.50	Malaysia . Rkt 4.25	Taiwan .... NT $85
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 3.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,137 Monday January 19 1987 D 8523 B

EEC budget talks break up in disarray, Page 2

World news | Business summary

Iranian troops on outskirts of Basra

Iran said its troops were within 500 metres of the suburbs of Basra, the strategic Iraqi city, after wiping out two Iraqi battalions in fierce fighting. It said scores of Iraqi troops were drowned when they tried to flee the fighting south of the Shatt al-Arab waterway.

At the same time, Iran "strongly rejected" a statement by the UN Security Council calling on both Tehran and Baghdad to stop fighting and talk peace. It said the call came when "our nation has raised its powerful arm and put the aggressor in its place."

West German seized

A West German named by newspapers as Rudolf Cordes, a manager with Frankfurt-based chemicals company Hoechst, was kidnapped in Beirut. It was seen as possible retaliation for the arrest in West Germany of a Lebanese suspected of involvement in the TWA hijacking.

Golden Temple raid

Indian police and paramilitary troops arrested six suspected extremists and detained 54 others in a surprise midnight raid on the Golden Temple complex in Amritsar, bringing strong protest from Sikh religious leaders.

Jail for Ecevit

Former Turkish Prime Minister Bulent Ecevit was sentenced to 11 months' imprisonment for speeches he made during a by-election campaign last year. Page 3

Invasion ruled out

Honduran President Jose Azcona told Spanish newspaper Diario 16 that he had no plans to invade neighbouring Nicaragua and would not allow US troops to use his country for an attack against the Sandinistas.

Dissident barred

Inna Meiman, 53, wife of Soviet dissident Professor Naum Meiman, left Moscow for the US to have treatment for neck cancer. Her husband was refused permission to accompany her.

Soviet sackings

Thousands of Soviet energy officials were sacked or disciplined for embezzlement and bribery in 1985 and the first half of 1986. A senior Moscow official gave the figures as 633 sacked, 7,000 disciplined and 8,365 who had compensated the state for their crimes.

Aquino peace pledge

President Corazon Aquino of the Philippines received a flower and a pledge of peace from a Moslem rebel leader when she flew to the troubled island of Mindanao to campaign for ratification of a new constitution. Tribunal rivalries Page 2

Irish poll looms

The fate of the Irish coalition Government will be decided at a Cabinet meeting in Dublin tomorrow when a Labour Party withdrawal seems a possibility. That would mean a general election, probably in mid-February. Page 16

Ship lost off Spain

Rescuers have little hope of finding 18 crew from the Maltese cargo ship Kythera Star which in a storm 83 miles off Barcelona. The Spanish Navy rescued two people.

Bologna trial opens

The trial of 20 people charged in connection with the 1980 bombing of the railway station in Bologna, in which 85 people died and 200 were injured, opens in Italy today.

Space ship docks

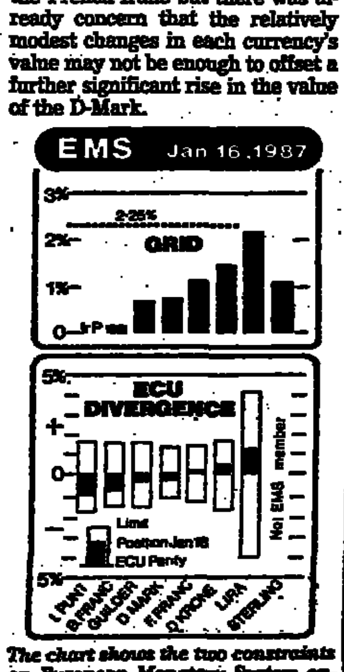
A space cargo transporter carrying supplies for a new Soviet mission docked successfully with the space station Mir, Tass reported. Last year, two cosmonauts spent 125 days on Mir.

Marconi, BAe win £90m Nato deal

BRITISH AEROSPACE and Marconi, Britain's leading satellite companies, won a £90m ($135m) order from Nato to build two advanced military communications satellites. Page 16

WEST GERMAN companies are negotiating with the Soviet Union about selling two small nuclear power plants in a deal that could be worth between DM 1bn ($545m) and DM 2bn. Page 3

EUROPEAN Monetary System: The D-Mark continued to improve in the EMS last week mainly because of renewed dollar weakness. The dollar's fall to a six year low against the D-Mark, caused by further switching of funds into the German currency, pushed the weaker members of the system lower still. The Irish punt was the bottom placed currency followed by the Belgian franc. Last week's realignment of parities relieved the pressure on the French franc but there was already concern that the relatively modest changes in each currency's value may not be enough to offset a further significant rise in the value of the D-Mark.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NBC, US broadcasting network, has agreed to buy a Miami TV station for $270m – $135m less than was offered for the station last summer – in a clear indication of a slump in the values of television stations. Page 17

SHEARSON, Lehman, American Express, the Wall Street securities and investment banking group, is in an advanced stage of negotiations with Cofide, master holding company of Carlo de Benedetti, to form a joint company in Italy which would market a broad range of financial services. Page 20

SWITZERLAND: Leading banks and stock exchanges have set up a joint company, Soffex Swiss Options and Financial Futures, to become the country's first options exchange, due to open in a year. Page 20

EURO-CLEAR: Value of securities settled through the Brussels-based clearing system rose 60 per cent last year to $2,338bn, reflecting the rapid growth of the Eurobond and other international securities markets. Page 20

SAUDI ARABIA, a wheat importer until 1980, exported 1.1m tonnes last year.

BOWATER INC, US papermaker, reported a fall of almost a third n net profits for the final quarter of 1986 to $13.83m compared with $20.71m, but described the period as the "turnaround we have been awaiting all year." Page 20

WESTERN UNION, heavily indebted US telecommunications group which has been seeking ways to avoid bankruptcy, decided to proceed with a financial restructuring plan backed by a partnership involving Mr Michael Milken, head of junk bond trading at Drexel Burnham Lambert. Page 16

Afghan rebels spurn ceasefire with attack on vital stronghold

BY JOHN ELLIOTT, WITH THE MUJAHIDEEN NEAR KHOST, AFGHANISTAN

CRIES of "Allah akbar, Allah akbar" – "God is great, God is great" – wafted from hilltop gun positions across the eastern Afghanistan plains of Paktia Province last Thursday as groups of resistance fighters triumphantly broke the Soviet offer of a six-month ceasefire in the seven-year-old Afghan war before it was more than a few hours old.

A thousand feet below, on the dry desert plain around the strategic city of Khost, Afghan and soviet troops could not hear the cries from the Mujahideen – holy warriors – nor the cheers of "Zindabad" when a shell landed on or near its target.

But the persistent bombardment of Soviet gun positions and military equipment can have left them and their leaders in no doubt that the resistance fighters intended to celebrate the first day of the proposed ceasefire with a battle which would show the world they wanted no compromise with the Kabul regime of Mr Najib Ullah, or with Mr Mikhail Gorbachov in Moscow.

"This is the Jihad (holy war) of Islam and communism, and while there is one Russian soldier in Afghanistan, we will not put down our arms. So there can be no ceasefire." Brigade Commander Faiz Mohammed had told me late the night before after he had led his fellow officers in their fifth and final prayers of the day.

Now, crouching in a narrow trench in his hill-top control post as Soviet howitzer shells whined overhead and an occasional tank mortar landed on our hill, the 35-year old former engineer, dressed in a green combat jacket over his traditional shalwar kurta shirt and baggy trousers, turned to me, laughed, and said: "It is a good ceasefire, yes?"

After an hour of Mujahideen assaults, the Soviet forces abandoned the pretence of a ceasefire and started a two-way battle which continued throughout the day, culminating in two major bombing raids by Soviet aircraft.

The battle I was witnessing, as a guest of one of the Hezb-i-Islami (Hekmatyar faction) resistance group, was one of at least three major breaches of the ceasefire organised by different Mujahideen groups last Thursday in the south and east of the country.

Here, military operations are not impeded at this time of year by the heavy snow falls which affect areas of further north.

The Khost area of Paktia Province, 20 miles from the Pakistan border, has been fought over by all aspiring, but eventually unsuccessful, conquerers of Afghanistan, including the British and the Sikhs. They have wanted it because it lies at the start of one of the main valley routes into the mountainous interior of the country.

Now, regular camel and mule caravans – carrying supplies which range from Kalashnikov rifles and RPG grenade launchers to meat and flour – cross from the Pakistan border town of Miram Shah, stop at Mujahideen mountain valley bases of Jahadwal and Jhawar, then pass round the Khost plain for treks lasting as long as 50 days to distant resistance groups.

For the past two months, Mujahideen and Soviet forces have fought over a small hilltop post called Sanaki which lies at the end of a range of hills looking over the 3,000 ft high plain.

Soviet forces seized the post for the second time on January 3 and want to hold it for two strategic reasons. It closes part of the supply route, forcing the Mujahideen on to a lengthy mountainous detour. It also provides a starting point for a future attack on the Mujahideen hilltop positions and then on the two key supply bases of Jahadwal and Jhawar which the Soviets failed to seize and hold after a battle of more than 40 days last year.

Commander Faiz hopes to launch a direct assault with other resistance groups on the Sanaki post soon. They staged last Thursday's ceasefire breach for a preliminary bombardment.

A cynical diplomat, critical of this resistance group's adept public relations operations, told me before I left Pakistan: "They are good at laying on a rocketing. They will choose where to take you carefully. You will go to a gun post, they will launch some shells at a nearby Soviet-held hilltop and the Soviets will conveniently fire back.

Undoubtedly Mr Gulraddin Hekmatyar, the group leader, chose the Khost area because he knew his resistance fighters had to launch an attack there on the Sanaki Post. Commander Faiz also relished demonstrating his rebuttal of the ceasefire to a foreign journalist. But the battle that ensued was far more than a public relations exercise.

As we approached the Sanaki hills at about 8am, after a one-hour walk across almost bare brown and grey mountains past deserted and bombed-out settlements, the ceasefire wAS first broken by scattered Mujahideen firing. By 9am the Sa-

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THE SOVIET offer of a ceasefire and the formation of an interim government of national reconciliation in Afghanistan has been totally rejected by the seven main Mujahideen resistance groups based in the Pakistani border city of Peshawar.

Issuing their first-ever joint policy statement since their war against the Soviets began eight years ago, the groups described the offers as "empty overtures".

At a rally in Peshawar on Saturday attended by some 70,000 Afghan refugees and resistance fighters, leaders made it clear that they were not prepared to compromise on the need for an unconditional withdrawal of all the 115,000 Soviet troops in Afghanistan or on the removal of the existing Kabul regime of Mr Najibullah.

Morgan Grenfell says executive broke rules in Guinness takeover

BY CLIVE WOLMAN AND DAVID GOODHART IN LONDON

MORGAN GRENFELL, the troubled UK merchant bank, last night sent a letter to shareholders in response to speculation about further possible resignations of its directors because of their involvement with the Guinness affair or insider dealing cases.

The bank says for the first time in its letter that Mr Roger Seelig, the corporate finance director who advised Guinness during its takeover bid for Distillers last year, failed to comply with the company's "established policies and procedures." The bank, which previously claimed that it prospered from a lack of formalised procedures in its corporate finance department, has declined to explain what established procedures were breached.

The bank also declined to comment on the extent to which Mr Christopher Reeves, its chief executive, and Mr Graham Walsh, its head of corporate finance, knew about the commitments made by Mr Seelig to purchasers of Guinness shares during the takeover battle. The commitments may have breached the UK Takeover Code and the Companies Act.

The letter also discusses the resignation in November of Mr Geoffrey Collier as joint chief of its securities operations. Mr Collier, the letter says, "quite properly received confidential and market-sensitive information about transactions" involving the company. He resigned because he breached Morgan Grenfell's rules on personal dealings.

Mr Collier has been charged with committing offences of insider dealing at the home of Mr John Holmes, his former partner at Morgan Grenfell's securities operation. The inspectors of the Department of Trade and Industry appointed to investigate his case are continuing their inquiries. The letter says, however: "Having made prompt and extensive investigations, we believe that no other director or employee of any Morgan Grenfell company was involved with Mr Collier in his breach of our rules."

Meanwhile, the inspectors of the DTI have been widening their investigations into other prominent figures in the City of London and industry who are suspected of insider dealing. One of them is an associate of the publisher Mr Robert Maxwell, although Mr Maxwell himself is not involved in any way.

The number of companies and individuals under DTI investigation has become so great that the larger commercial law firms in London are no longer able to handle the demand for legal representation.

None is willing to take on more than one client involved in the same case. Mr Hugh Peppiat, the senior partner of Freshfields, one of the firms of solicitors which acts for Guinness said: "We had to turn away one client because we were already acting for someone in the same case and I suggested two other firms. But then we realised that they were also acting for other people."

Clifford Turner, the firm which is acting for the Argyll Group, said that it has faced the same problem.

Meanwhile, senior City of London figures have brought together Mr David Walker, a Bank of England director, and Mr James Gulliver, chairman of Argyll Group, to discuss the Guinness affair and a possible intervention by the Argyll senior management team. Mr Walker is the bank official who has been most closely involved with the Guinness scandal.

Although they touched on the practicality of a Guinness bid for Argyll – to buy in Argyll's management – it is understood that Mr Gulliver has for the moment been persuaded by his fellow directors that it would not be in Argyll's interests to be cast in the role of Guinness saviour.

There is considerable resentment in the Argyll group over the means by which its own bid for Distillers was pipped by Guiness. A senior executive said last night: "It is not an attractive proposition to bid for Guinness or for them to bid for us."

US chides its trading partners on growth

By Stewart Fleming, US Editor, in Washington

THE REAGAN Administration is increasingly concerned about the failure of West Germany and Japan to act to boost their economic growth and so improve US export prospects and the chance of a significant cut in the $170bn American trade deficit.

A senior Reagan Administration official, commenting on Friday on the sharp decline in the dollar in recent weeks, re-emphasised that it is not the Administration's policy to talk the dollar down.

But he repeated the Administration's position that unless West Germany and Japan act to improve their economic performance, the financial markets will adjust the relationships between the major currencies, implying that the dollar's fall will play a bigger role in reducing international trade imbalances.

"If we do not get growth or improved US competitiveness, there will be further currency adjustments ... Time is passing, the currency markets will not wait for ever before they make the adjustments," the official said.

He expressed frustration that West Germany "has never indicated the least willingness to take (economic) policy actions," adding that West Germany's failure to meet its

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Reagan faces difficult choice for Fed chairmanship, Page 2

Chinese leader acts to dispel reform doubts

BY ROBERT THOMSON IN PEKING

THE NEW leader of the Chinese Communist Party, Zhao Ziyang, moved quickly yesterday to try to reassure the Chinese people and the world that the dramatic upheavals in the country's leadership do not mean the economic and political reforms have been killed off.

The leadership crisis has also created some uncertainty over Sino-US relations although the US State department is understood to be going ahead with plans for Mr George Shultz, US Secretary of State, to visit China at the end of next month.

The leadership reshuffle followed an intense power struggle between reformers and conservatives which resulted in a key reformer, Hu Yaobang, General Secretary of the Communist Party and one of Deng Xiaoping's oldest and closest confidants, being forced to resign in disgrace on Friday.

Zhao said the reshuffle was necessary for "stability" but diplomats expect continuing instability with further purges of senior officials and academics in coming weeks.

Although Zhao is one of the leading proponents of economic reforms there is doubt about his enthusiasm for the political and ideological freedom and reform which Hu so strongly advocated.

The changes will be most dismaying for intellectuals who have started to debate increasingly freely during the last year of unprecedented openness in China.

A report yesterday in the "People's Daily", the main communist party newspaper, condemned the revival of the movement to let "100 flowers bloom and 100 schools of thought contend." And academics are known to fear that those who made outspoken political comments in recent months will be punished.

Zhao, who is still premier, attempted to prop up shattered academic and political confidence by telling the visiting secretary of the Hungarian Socialist Workers Party, Havasi Ferenc, that the communist party is now mature. "We oppose bourgeois liberalism, but we will not be engaging in any more political campaigns."

The party is still engaging in political intrigue, as it has yet to explain the reasons for the fall of Hu Yaobang as general secretary of the party. Zhao said only that the "personnel changes" would not affect the party's direction.

That the party is still in a tough mood was shown by several newspaper commentaries strongly criticising the elderly writer, Wang Ruowang, and the outspoken astro-physicist, Professor Fang Lizhi, both of whom have already been disciplined. Also, another worker, the 17th reported so far, was arrested

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Fermenta in fresh turmoil as managing director resigns

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the deeply troubled Swedish antibiotics and animal health group, was plunged into fresh turmoil at the weekend when Mr Sune Dahlberg, appointed managing director barely a month ago, was forced to resign following a crisis board meeting on Saturday.

Fermenta, which was expelled from the Stockholm Stock Exchange last week for issuing what the authorities described as "grossly deceptive" profits forecasts and for its "almost unprecedented conduct," has now suffered five changes of managing director in less than 12 months.

Last Friday Mr Dahlberg implied that his signature had been forged on Fermenta's eight-months interim report, which contained a misleading profits forecast for 1986. "I don't know how my name came to be there," he said.

His claim was disputed by Mr Refaat El-Sayed, Fermenta's now discredited former managing director and majority shareholder. Mr El-Sayed, who is on a visit to Hong Kong, said that Mr Dahlberg's statement was "totally groundless."

He asked why Mr Dahlberg had not told shareholders earlier that his signature had been added to the interim report without his knowledge.

Following other statements by Fermenta employees Mr Dahlberg admitted that he had signed a blank form in the knowledge that this would be used in the printed version of the interim report to be sent to shareholders.

Mr Dahlberg's resignation is a blow to attempts by Fermenta's new shareholders, led by Industrivärden, the Swedish investment company closely associated with Svenska Handelsbanken, to restore order in the battered biotechnology group. As a temporary measure Mr Bo Söderberg, a senior executive in Industrivärden, has been drafted as the new Fermenta managing director.

Industrivärden, which took over as main shareholder in mid-December when Mr El-Sayed defaulted on a SKr 570m ($86.6m) loan from the investment company, has met Fermenta's international bankers – together with Mr Dahlberg – at three conferences in recent days in the US, Italy and Sweden to try to convince them of the group's future viability.

One of Industrivärden's first actions in dealing with the Fermenta crisis was to appoint 66-year-old Mr Dahlberg, then head of the group's US agrochemicals operations, as managing director to replace Mr El-Sayed.

This move was followed at the end of December by the resignation of the Fermenta board, which was replaced by a new board led by Mr Kjell Brändström, Industrivärden managing director.

Mr Brandstrom said at the weekend: "In such a sensitive situation we cannot stand publicity like this."

Following its expulsion from the stock exchange – after a suspension lasting an unprecedented five weeks – trading in Fermenta shares is due to start today on Stockholm's largely unregulated unofficial market.

In unofficial trading in London in the last few weeks the Fermenta share price has fallen to almost SKr 30 compared with a peak in January last year of SKr 325 a share. The former board members are now facing scores of damages suits from angry small shareholders. Fermenta is also being investigated by the police.

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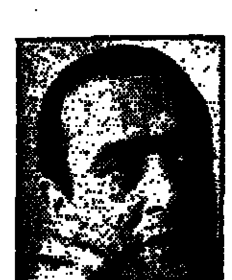

THE MONDAY PAGE

INTERVIEW

Andrew Fisher talks to Bernd Eichinger, West German movie maker

OVERSEAS NEWS

EEC budget talks break up in disarray

BY QUENTIN PEEL IN BRUSSELS

NEGOTIATIONS for a legal EEC budget in 1987 broke up in disarray at the weekend, with budget ministers from the member-states deadlocked on an issue of principle over how to control spending on Community programmes.

The relatively tiny sum of Ecu 62m (£46m) in the Ecu 36.25bn (£27bn) annual budget split the north from the south of the Community, with Britain, France, West Germany and Denmark blocking one solution, and Italy, Spain and Greece blocking another compromise.

Officials now fear that the institutions of the Community will have to function on emergency financing provisions until May or June.

This would effectively ration the cash for spending on major areas such as agriculture, and completely block new policies in areas such as research and fisheries. It could also hit reform plans for agriculture.

The outcome was described yesterday by Mr Henning Christophersen, vice-president of the European Commission responsible for the budget, as "very dangerous" because of the split.

He appealed to the European Parliament to try to break the deadlock by backing a compromise spending plan. Otherwise, he feared no decision would be taken until mid-year.

"If no decision is taken by the Parliament this week, I fear we will have to live with the system of provisional twelfths until May, June or July," he said.

Provisional twelfths mean the budget finance is restricted each month to one-twelfth of 1986 spending on every different spending line. Where no figure was included in the 1986 budget, no money can be spent in the current year.

Mr Christophersen said the emergency financing system would mean a stop on recruitment of Spanish and Portuguese officials to boost their numbers since those countries joined the Community.

Another side-effect could be to prevent financing reforms agreed by EEC Agriculture Ministers last month, which in the long-run will result in major savings.

Both the beef premium, and compensation to farmers suspending milk production, are likely to be hit, the Commissioner said.

The split between the member states centred on whether to allow any increase in the "maximum rate" for the growth of most non-agricultural spending.

That rate was fixed according to a standard formula at 8.1 per cent, and Britain, France and West Germany insist that it must be respected as part of budget discipline.

Final effort to avert US-EEC trade war

BY QUENTIN PEEL

US and EEC trade negotiators met in Geneva yesterday to launch a final effort to resolve the increasingly bitter dispute over lost US grain sales to Spain.

They have to bridge a gap over the level and type of compensation offered by the European Community for the loss of about $400m to $500m in US sales of maize and sorghum, resulting from Spain's entry into the EEC last year.

Yesterday's negotiations, behind closed doors, are intended to pave the way for a last-ditch effort at the end of the week to prevent outright trade hostilities from February 1.

The US has threatened to impose tariffs of up to 200 per cent on EEC exports such as gin, brandy, cheap white wine, cheese, ham and olives.

The community has promised to counter with import duties of between Ecu 42 and Ecu 55 (£31 to £40.60) on US sales of corn gluten feed and rice, setting the scene for a trade war.

The talks yesterday were headed on the European side by Mr Leslie Fielding, the director-general for external relations in the European Commission, and Mr Guy Legras, director-general for agriculture. The US was represented by Mr Alan Woods, deputy US trade representative, and Mr Daniel Amstutz, deputy agriculture secretary.

On Friday and Saturday final talks take place in Washington between Mr Willy De Clercq and Mr Frans Andriessen, European Commissioners for external relations and agriculture respectively, and Mr Clayton Yeutter, US special trade representative, and Mr Richard Lyng, Agriculture Secretary.

Officials on both sides remain pessimistic about the chances of closing the gap, complicated by the pressures of powerful farm lobbies on both sides.

In spite of tentative ideas for small trade concessions on a host of US agricultural and industrial exports, the dispute will be resolved only if there is agreement on maize, officials say.

The US is demanding most-favoured-nation access to the EEC market for about 4m tonnes in maize from all sources, of which the US would get between 2.8m and 3m tonnes.

So far the community has offered a total access of 1.6m tonnes, of which the US might expect 1m to 1.2m tonnes (The second largest supplier is Argentina).

S African subsidiary sold

STROMBERG, the Finnish electrical control equipment and car components manufacturer, has sold its South African subsidiary for an undisclosed cash sum to Powertech, a local electrical equipment manufacturer, **Jim Jones reports from Johannesburg.** The subsidiary operates mainly as an importer, distributor and service agent for Stromberg products.

Ties with Finland appear likely to be loosened as technical support for its products will be provided in future by Powertech's manufacturing facilities. This will ensure continuity of after-sales service for Stromberg products, says Powertech.

AP adds from Baltimore: Black and Decker has announced that Mr Nolan Archibald, the company's chairman, will recommend to the board of directors that the company seek a buyer for its South African subsidiary.

Brazil in dilemma on IMF role over debt

By Ivo Dawnay in Rio de Janeiro

BRAZIL returns to crucial debt negotiations today with the Paris Club group of sovereign creditor countries knowing that the outcome will have a profound impact on talks due soon with commercial banks.

Central to the discussions will be whether the International Monetary Fund should be involved in any new deal on the roll-over of principal and interest payments.

Last month, the Paris Club took the unprecedented step of agreeing outline terms for the rescheduling of $3.2bn (£2.1bn) of Brazilian country-to-country debt, due in 1985 and 1986, without the imposition of an IMF economic programme. Normally, such a programme is arbitrary.

Officials of both sides must now settle the fine details and devise terms for the rescheduling of a further $3.5bn in Paris Club debt, falling due this year.

Brazil's commercial bank creditors, who hold the vast bulk of the country's $104bn liabilities, will be watching closely to see if, once again, the IMF is excluded from playing a part in the final agreement.

Whereas last June the commercial banks looked ready to agree a deal without IMF involvement, the recent sharp decline in Brazil's trade balance and foreign currency reserves and the resurgence of inflation has raised widespread concern.

The Brazilian Government, committed to growth policies, has long rejected any role for the IMF on the grounds that previous fund programmes imposed politically-intolerable austerity and recession.

Last week, Mr Fernao Bracher, the central bank president, visited Washington and New York to sound out views on a loan of $2bn to $4bn, needed to meet current interest payments.

During the visit, he was quoted in all the major Brazilian newspapers as saying that the IMF might have to have a role in the multi-year rescheduling agreement the Government is seeking. Mr Bracher denied the reports.

Nevertheless, the IMF question has launched a debate within Brazil as to whether dogmatic exclusion of the fund is desirable if its involvement would mean reduced remittances abroad. The growth-oriented rescheduling package agreed with Mexico and a more sympathetic approach to debtor countries from the US Government has led some to argue for an accommodation with the fund.

Ecuador agrees to kidnappers' demands

President Leon Febres Cordero, of Ecuador, who was held by Air Force commandos at the Taura military air base for 12 hours on Friday, said he had agreed to the kidnappers' demand in order to avoid further bloodshed and safeguard the lives of the other hostages, Sarita Kendall reports from Quito.

The President was shown on television at the air base dictating a statement ordering the release of former Gen Frank Vargas Pazzos, Air Force commander, and guaranteeing that no action would be taken against the rebel commandos.

Gen Vargas led an insurrection against the Government last March and was awaiting sentence by a military court.

Richard Gourlay examines the background to recent clashes in the Philippines

Tribal rivalries trouble Aquino

THE RECENT exceptionally bloody outburst of fighting in the Philippines has more to do with long-standing tribal rivalries than with any concerted attempt to topple President Corazon Aquino, whose main problems are the recurrent reports of unrest in some factions of the military.

Nevertheless, Mrs Aquino must keep the lid on these rivalries in the southern part of the Philippines because repeated violence is just the excuse dissident military groups could use to argue that the ceasefire is not holding, Communists are regrouping and that Mrs Aquino should go before its is too late.

The situation is particularly sensitive now, in the final run-up to the referendum on February 2 on Mrs Aquino's planned new constitution. This will not only give her a six-year presidential term but also proposes some self-determination for the troubled southern island of Mindanao where the tribal rivalries are at their worst.

Last month, for example, troops in Isabela, Basilan Island, watched as 200 Moslems from the Yakan tribe fought a pitched battle with followers of a local political leader, Mrs Elnorita Tugung, from the Tausug tribe.

Before the army could persuade the Yakans to fall back, dozens of shops and houses had been destroyed and a public market had been burnt to the ground.

The incident that caused the attack – the alleged killing by Mrs Tugung's followers of three Yakan leaders – is typical of the tribal feuding that has excited Moslems in the southern Philippines for centuries.

This sort of rivalry was behind a burst of attacks last week by Moro Islamic Liberation Front rebels in Maguindanao and Lanao provinces of Mindanano that left more than 30 dead in the worst violence in 10 years.

The Sulu archipelago, Tawi-Tawi, Basilan and seven regions in Mindanao are home to the country's 4m Moslems who make up about 7 per cent of the population. One issue that unites Moslem leaders is the claim that these lands belonged to their ancestors before Christian colonisers from the north settled in the early 20th century.

Moslem rebel fighters join ceasefire talks after five days of clashes in Mindanao, southern Philippines

They are lands where family vendettas last decades, smuggling is a way of life and the azure seas hold the threat or the promise of pirates on the horizon at any time. Ties, if they exist at all, are stronger with Moslem Malaysia and the Arab world than with Manila.

President Aquino's assumption of power last February awakened Moslem hopes of self-determination for the Moro people. Breaking protocol last September, she went to Tawi-Tawi to meet the leader of the largest Moslem rebel group, the Moro National Liberation Front, Mr Nur Misuari.

Surrounded by rebel troops, she agreed a temporary ceasefire in the secessionist war that has bubbled sporadically for 17 years. In so doing she boosted the prestige of Mr Misuari who had returned from 12 years of self-imposed exile in the Middle East to test the temperature of his people.

Mrs Aquino's representatives sealed the ceasefire in Jeddah on January 3 when Mr Misuari dropped his demand for full independence, agreeing instead to talk further about regional autonomy.

However, against the advice of many, including senior military officers based in the Moslem areas, the Government ignored two other Moslem groups including the Milf of Mr Hashim Salamat.

His troops from the Maguindanao of Cotabato broke with Mr Misuari, a Tausug from Sulu in 1977, soon after President Ferdinand Marcos's wife signed the so-called Tripoli agreement to end four years of bitter fighting.

Mr Marcos successfully exploited the differences between the Moro factions – some say he engineered them – and avoided fully implementing the terms of the agreement that should have given autonomy to 13 provinces. The third group to split from Mr Misuari's MNLF, the Maranao from the Lanao provinces under Mr Dimas Pundato, was also absent from the Jeddah meeting.

The Milf's grenade attacks, ambushes of military units, shoot-outs with the MNLF and assaults on Government buildings last week was a cry to Mrs Aquino. General Cesar Tapia, in charge of military operations in the southern Philippines, and Mr Agapito "Butz" Aquino, Mrs Aquino's brother-in-law and negotiator with Mr Misuari, agree the Milf action was to save face.

Planning the attacks in the week before Mrs Aquino was due in Cotabato to campaign for a new constitution has persuaded the Government it has to negotiate with all Moslem factions.

However, with the proposed new constitution "tying the hands of both Mrs Aquino and the Moslems" according to an MNLF representative who was at the Jeddah talks, few are confident a peaceful solution is in sight.

"I am afraid that if the Moslems do not soften their position the talks will not produce a peaceful solution," Gen Tapia said this weekend in Zamboanga.

Mrs Aquino has refused a request from Mr Misuari to suspend the clauses in the proposed constitution which refer to autonomy in Moslem Mindanao for fear of opening a Pandora's Box for requests for alterations. As it stands, the constitution calls on the new Congress to legislate for autonomous regions in those areas of Moslem Mindanao where the people want them.

This will give the Moslems control of a maximum of six provinces, less than was offered in the Tripoli agreement and even further from the demand for independence for the whole of Mindanao, recently dropped.

Neither side has begun to define what it means by autonomy. The region's size, functions, powers of taxation and the nature of their courts remain unclear. And many Christians in Mindanao are worried they might be subjected to Shia law as the Moslem fundamentalist Mr Salamat has hinted.

It appears, however, that the Government by agreeing a shaky temporary ceasefire with the Milf commander, Hadji Murad, has succeeded in putting the lid on a problem that could have escalated ahead of the February 2 plebiscite for the new constitution.

Longer term, the problem remains. "If the Moros do not continue to fight, maybe they will go the way of the Moslems in Spain. We have to generate our own guarantee of survival," said Mr Paladan Badron, a top adviser of Mr Misuari.

Manila on full alert after coup plot

By Our Manila Correspondent

PRESIDENT Corazon Aquino of the Philippines ignored a coup plot which brought armoured cars, water cannon and several hundred government troops to protect the presidential palace yesterday.

She kept to her planned schedule and left the capital to campaign in the troubled southern island of Mindanao where serious tribal fighting has flared during the past week, saying: "There is no trouble in Manila."

In Manila, the military remained on full alert last night with at least 300 soldiers on duty and barbed wire blocking some streets close to the palace.

The army had gone on full alert in response to reports of plans by a military splinter group to topple Mrs Aquino, who has already been the subject of two alleged coup plots: both foiled before they could be attempted.

The situation was equally tense for Mrs Aquino's tour of Mindanao where the worst fighting in several years left more than 40 dead last week.

A rebel Moslem group agreed to a ceasefire only one day before Mrs Aquino arrived to campaign for the referendum on her plans for a new constitution on February 2. This will be a crucial test of support for her in the country, and the legitimacy of her presidency.

Helicopters and fighter jets flew overhead as Mrs Aquino arrived in Cotabato City, escorted by armoured cars, to address a crowd of about 3,000 and to meet Mr Hadji Murad, commander of the rebel Moro Islamic Liberation Front (MILF).

Mr Murad presented Mrs Aquino with his group's demands and promised to discuss with the MILF's civilian leader, Mr Hashim Salamat, whether to accept her invitation for talks in Manila.

Bid to revive Contadora peace process

BY DAVID GARDNER IN MEXICO CITY

THE SECRETARIES-GENERAL of the United Nations and the Organisation of American States (OAS) today join Latin America's four-year-old effort to bring peace to Central America and to head off a widely feared escalation in the region's conflicts.

Mr Javier Perez de Cuellar, the Peruvian-born UN chief, and Mr Joao Baena Soares, Brazilian leader of the traditionally US-dominated OAS, today and tomorrow tour the five Central American capitals in an international attempt to revive the Contadora peace process.

The two men will be accompanied by the foreign ministers of the original Contadora Group (Mexico, Colombia, Panama and Venezuela) and its South American "support group" of Brazil, Peru, Argentina and Uruguay.

The initiative has caused a flurry of counter-diplomacy in the region, motivated by US concern that its four Central American allies – Honduras, El Salvador, Costa Rica and Guatemala – may be drawn into agreement with left-wing Nicaragua.

The main obstacle to a negotiated settlement in Central America has been the Reagan Administration's implacable hostility towards Nicaragua's ruling Sandinistas.

For the past six years Washington has financed, armed and trained some 12,000 right-wing Contra rebels in an attempt to overthrow the Sandinistas from bases in neighbouring Honduras and Costa Rica.

This has meant a constant risk that border incidents would touch off a regional conflagration. In November, for example, the Sandinistas' hot pursuit of Contra forces into Honduras provoked heavy clashes between the two countries' regular forces.

Contadora's promotion of a legally complex 21-point regional peace treaty has, meanwhile, stymied bilateral solutions.

"Contadora has produced a rich catalogue of ideas (for resolving inter-country disputes), some of which have been approved but not put into practice because they depended on acceptance of the whole treaty," a senior Latin American diplomat explained last week. He said the new mission would aim to convince countries such as Honduras that "there are alternatives to a US policy which is creating more problems for you than it is resolving."

The Contra presence in Honduras, for example, has turned its border with Nicaragua into a lawless, free-fire zone and Honduran public opinion is increasingly concerned that an introspective Washington preoccupied with the Irangate scandal will leave them with a defeated but heavily armed rabble to cope with.

Sandinista leaders have repeated held out the possibility that all but top former national guardsmen leading the Contras could be re-integrated into Nicaraguan society.

USX and union reach tentative agreement

USX, the largest steelmaker in the US, and the United Steelworkers' Union (USW) say they have reached a tentative accord for settling the longest walkout in the domestic steel industry's history, Reuter reports from Pittsburgh.

Since a first round of contract talks failed on August 1, the labour dispute has made idle the 22,000 workers who manned USX's mills.

In a joint statement yesterday, USX and the USW said they had reached a tentative settlement of their 170-day labour dispute.

Mr David Roderick, USX chairman, said: "Our objective from the beginning of negotiations and throughout the work stoppage was to obtain a competitive labour agreement. The settlement meets that criterion."

Mr Lynn Williams, president of the USW, said: "The union's primary objective of greater job security was essential for an agreement, and that objective has been met."

No details of the settlement have been officially released, and must still be ratified by local union presidents."

Iran claims advance to gates of Basra

BY OUR MIDDLE EAST STAFF

IRAN yesterday rejected a call by the United Nations Security Council for a ceasefire in the Gulf war and claimed its forces had advanced to within 500 metres of Basra, the second largest Iraqi city.

Mr Mir-Hussein Mousavi, the Iranian Prime Minister, said his government strongly rejected the security council's appeal made in New York last Friday.

"How can we negotiate or hold a ceasefire with a criminal like (Iraqi President) Saddam (Hussein) who tramples on all international laws so savagely?" he asked.

The call had been made at a time when "our nation has raised its powerful arm and put the aggressor in its place, endangering the future of Saddam."

There was no confirmation of the claim made by Mojetes-lam Ali Akbar Hashemi Rafsanjani, Speaker of the Majlis (parliament), that the Iranian offensive started on January 9 had reached little more than a quarter of a mile from Basra.

Rafsanjani, also spokesman for the Supreme Defence Council, said the position had been achieved by the occupation of three islands on the Shatt al Arab waterway—Mahi, Umm al-Towail and Bavarian.

Umm al-Tovail and another island, Fayyaz, were captured at the weekend, according to an Iranian war communique.

It boasted that two Iraqi battalions had been wiped out, two brigades had suffered defeats and the command headquarters of two others captured in the assault on the two islands.

Last Friday Mr Rafsanjani told the weekly mass prayer meeting in Tehran that the capture of Basra was "not the aim." He said Iran "would settle accouns with Iraq near Basra."

In Baghdad the official Iraqi News Agency reported that President Hussein had held a 10-hour meeting with army commanders. INA said the purpose of the session was to discuss "the lessons stemming from the victorious battles fought by the Third Army Corps."

An Iraqi communique said its air force had bombed several cities including Tehran, the Iranian capital, which was last hit about 18 months ago. The raid was aimed at the headquarters of Ayatollah Khomeini, spiritual leader of the Iranian revolution. Tehran Radio said a single enemy aircraft had struck a residential suburb, killing three people.

Mexico to cut oil exports

MEXICO is to cut its daily crude oil exports by a further 30,000 barrels as part of its contribution to Opec's efforts to shore up international oil prices, **David Gardner reports from Mexico City.**

Mexico, unlike Venezuela, is not a member of Opec. It joined the cartel's effort to boost prices by retaining cuts in exports of 150,000 barrels a day at the end of last year.

Mexico's traditional oil export "platform" was 1.5m b/d until the oil market glut and price collapse of last year caused it to lose market share.

Stewart Fleming in Washington assesses the implications of speculation about the future of Paul Volcker

Reagan faces difficult balancing act over top job at Fed

THE Federal Reserve Board, the US central bank, found itself back in the limelight last week after several months' respite, an uncomfortable position which it is likely to occupy more frequently in the weeks ahead.

The initial controversy was stirred by reports last Monday that the White House was considering the appointment of Mr Beryl Sprinkel, chairman of President Ronald Reagan's Council of Economic Advisers, to fill one of the two vacancies on the seven-member governors' board.

The report sparked speculation about the future of the Fed chairman, Mr Paul Volcker, whose term as board chairman, but not necessarily as a board member, expires in August.

The issue of his successor is coming to the fore as the Republican and Democratic parties turn their attention towards the presidential elections. Both parties share the conviction that economic issues will dominate the campaign.

The White House and its Republican allies, however, fear the economy will not provide the support for their 1988 election campaign that it did in 1984.

In the past year, the US has lived a charmed life in economic policy terms. The trade deficit has deteriorated drastically but not enough to trigger a recession. In part at least, a recession has been avoided because monetary policy has been easy—interest rates have been falling sharply and the money supply growing robustly.

The Fed's accommodating monetary policy has been facilitated by the absence of inflationary pressures, stemming in part from a sharp decline in oil prices (which now seems to have run its course) and from the fact that the initial fall of the dollar from its 1984 peaks did not light the inflation fuse.

Rather than raise dollar prices, exporters to the US absorbed much of the currency losses by allowing bloated profit margins to narrow. Now it is feared this phase is over.

Japanese exporters, for example, facing weaker profitability at home now that the domestic economy is flirting with recession, have little incentive to absorb a further narrowing of US profit margins particularly when efforts to expand market shares will only fan the protectionist flames on Capitol Hill.

The Fed governor, Mr Wayne Angell, indicated last week he now senses that the White House strategy of devaluing the dollar to reduce the trade deficit and boost growth carries with it increasing inflationary risks at home (and incidentally deflationary risks abroad).

Power struggle: Paul Volcker (left) and Beryl Sprinkel

If this judgment is right, the Fed may soon have to face up to the economic policy dilemmas masked by the favourable inflation performance of the past year.

Should it, for example, gradually begin to adopt a less accommodative monetary policy to resist inflation at the risk of slower economic growth? Or should it stick to an expansionist monetary policy and run the risk that inflation will rise to levels which nervous financial markets are not expecting.

The judgment of whoever is Fed chairman will probably be decisive in determining how the bank assesses these risks and responds to them. Those responses, in turn, will help to determine who wins the presidential elections.

That the issue of the Fed chairmanship has arisen eight months before Mr Volcker's term expires is in part an accident of timing related to the two vacancies on the board.

It appears that Mr Donald Regan, the White House Chief of Staff, has been urging the appointment of Mr Sprinkel to fill one vacancy. Mr Regan's initiative on behalf of his long-standing associate was quickly interpreted as a pre-emptive strike aimed at lining up Mr Sprinkel as heir apparent to Mr Volcker.

It was also seen as another sign that Mr Regan is reasserting his political influence and trying to expand it after having weathered calls for his resignation over the Iran arms deal scandal.

It quickly became apparent that Mr Sprinkel has few supporters in Washington or on Wall Street apart from Mr Regan. Mr Sprinkel, a monetarist who has recanted the most extreme form of the dogma, is still viewed with suspicion by more expansionist-minded members of the Administration.

Mr Sprinkel's candidacy was shot down by leaks that it was under consideration. But leaks do not appear to have harmed the preferred candidate of Mr James Baker, the Treasury Secretary, for one of the openings on the board. He is Mr Edward Kelley, a Texas banker. It is generally assumed he will be nominated to fill one of the vacancies.

There is speculation that the other vacancy may be left open. Were it to be filled then if Mr Reagan wanted to replace Mr Volcker as chairman in August, rather than re-appoint him as in 1983, Mr Volcker would have to be asked to step down from his board appointment, which does not expire until 1992.

Mr Volcker is too punctilious a public servant to refuse a presidential request. But his ability, theoretically, to remain on the board, although not as chairman, could give him lingering influence on the choice of successor, influence his Republican critics would prefer him not to have.

Conservative Republicans have been gunning for Mr Volcker throughout much of Mr Reagan's Presidency. So has Mr Regan. Other Administration officials also express frustration at his proud independence, on display again last week as he repeated his doubts about the wisdom of a further decline in the dollar.

His long-standing reluctance to embrace the vision of bank regulatory reform, on which Mr Baker's Treasury has set its mind, is a thorn in the Administration's side as it tries to draw up a forward-looking domestic economic policy for the President's last two years in office.

For the time being, with Fed policy still expansionist, currency markets nervous, the International Monetary Fund meetings and an economic summit ahead, and the possibility of top-level international economic policy talks in the Group of Five nations on the horizon, the more thoughtful members of the Reagan Administration are not anxious to see Mr Volcker's influence undercut. It is simply too early for a decision on his future.

By spring, the issue will have to be addressed. Mr Reagan will have to weigh the risks of not reappointing him and Mr Volcker will have to assess the risks of staying, should he be asked, with a board all of whose members will have been appointed by Mr Reagan.

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Soviet economy shows strong development

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET economy developed strongly in 1986, with national income rising by 4.1 per centand industrial output by 4.9 per cent, according to figures for the year just released.

Growth was strong in most areas of the economy, including industries such as oil and coal which had previously lagged, but output is being badly affected by the cold weather.

Mr Yegor Ligachev, the number two in the ruling Politburo, told a conference that because of the "unprecedented cold weather," the economy was being seriously disrupted. He added: "a real threat has appeared of losing the momentum gathered in the economy in 1986."

Nevertheless, Mr Mikhai Gorbachev, the Soviet Leader, will be encouraged by the good economic figures and particularly by improved performance in the previously troubled energy and agriculture sectors, which together absorb a large proportion of Soviet capital investment.

The output of oil and gas condensate rose to 615m tonnes (11.9m barrels a day) —3 per cent up on last year. This reverses a drop in output in 1985, reflecting higher output in West Siberia and a reorganisation of senior management.

Gas, the brightest spot in the Soviet economy in recent years, grew by 7 per cent to 686bn cu. metres.

Coal, which stagnated during the 1970s because of delays in bringing opencast mines on stream in Siberia as traditional mines in the Ukraine exhaust their reserves, has also increased output to 751m tonnes.

The improved harvest, with grain production of 210m tons, against 191.7m tons in 1985, had been previously announced. Meat, milk and vegetable production were also up.

The good figures for oil and agriculture will be particularly welcome in the Kremlin because of the degree to which Soviet foreign trade has been hit by the drop in oil and other energy and raw material prices, which together account for between 80 and 85 per cent of Soviet hard currency exports.

Foreign trade was one of the few sectors of the economy to show a fall in 1986. The drop of 8 per cent on a turnover of roubles 130bn (£130bn) in foreign trade is almost entirely accounted for by a decline in the figures for commerce between the Soviet Union and capitalist countries, although these are responsible for only one-third of Soviet trade.

The recovery in the price of oil in recent weeks will improve Soviet hard currency earnings while the good harvest means that grain imports from the West will be low.

W. German groups in talks on nuclear plant deal

BY DAVID MARSH IN BONN

WEST GERMAN companies are negotiating with the Soviet Union about a possible sale of two small, high-temperature reactor (HTR) nuclear power plants in a deal which could be worth DM 1bn-DM 2bn (£357m).

The discussions are running parallel to talks between Moscow and Kraftwerk Union, the Siemens-owned power plant maker, on modernising Soviet nuclear plants in the wake of the Chernobyl accident.

The nuclear talks are continuing in spite of the past few months' political difficulties between Bonn and Moscow.

Mr Udo Scharfer, managing director of the Essen-based engineering company, Innotec, said the HTR discussions had been going on since mid-1986. They followed a suggestion by Mr Mikhail Gorbachev, the Soviet leader, for East-West co-operation on new reactor types.

The consortium developing the German HTR includes Brown Boveri, Deutsche Babcock, and Mannesmann.

West Germany already has in operation a 300 MW pilot HTR, and sees this as the basis for exporting two 100 MW reactors to the Soviet Union.

Germany has put considerable research funds into the HTR as a means of producing electricity at greater efficiency than with pressurised or boiling-water reactors.

The HTR also runs on thorium, rather than uranium, providing a means to bypass reliance on the world's main suppliers of uranium.

World Economic Indicators

FOREIGN EXCHANGE RESERVES
(US$m)

	Nov. 86	Oct. 86	Sept. 86	Nov. 85
US	16,785	16,358	16,785	12,553
UK	14,896	14,732	15,244	10,288
W. Germany	45,781	47,286	43,260	39,083
Italy	18,106	18,129	17,546	15,890
Japan	37,419	37,220	36,956	21,994
Netherlands	10,224	10,042	10,135	8,893
Belgium	4,539	4,414	4,434	3,909
	Oct. 86	Sept. 86	Aug. 86	Oct. 85
France	29,960	30,901	31,003	21,081

Source: IMF

Bonn MPs call for discount rate cut

By Our Bonn Correspondent

THE WEST GERMAN parliamentary grouping of the ruling conservative parties has called for a half point discount rate reduction, thereby increasing pressure on the Bundesbank, the West German central bank.

Mr Matthias Wissmann, economics spokesman for the Christian Democratic Union (CUD) and Christian Social Union (CSU) grouping, said in a newspaper interview that a half point cut to 3 per cent would stimulate flagging demand.

A possible decision to cut discount rate—which has already been strongly urged by the opposition Social Democratic Party (SPD)—could be made on Thursday at a regular meeting of the Bundesbank Council.

However, Mr Karl Otto Poehl, the Bundesbank president, has already made clear the central bank's reluctance to cut discount rate because of above-target money supply growth.

The Bundesbank position was backed up last week by Mr Gerhard Stoltenberg, the Finance Minister.

Meanwhile, the Bundesbank is resisting proposals, outlined a week ago at monetary meetings in Brussels, to change intervention rules within the European Monetary System.

In the wake of the EMS realignment in which the D-mark was revalued by 3 per cent, Mr Mark Eyskens, the Belgian Finance Minister, has asked European central bankers to examine ways of increasing intervention within the system to check changes in currencies before they reach their permitted upper and lower limits.

The Bundesbank is opposed to any extension of the existing rules which makes intervention automatic only when currencies reach these limits.

Heavy obligatory intervention was triggered off ahead of the EMS realignment meetings when the French franc fell quickly to its floor facing the Bundesbank with huge monetary inflows.

The Bundesbank fears that any new rules increasing the scope for "intra-marginal" intervention could increase the risk of disruptive inflows and would also lower the degree of monetary discipline faced by central banks with weaker currencies.

Since the EMS started operation in 1979, the Bundesbank has already fought off on a number of occasions proposals to increase the role of intervention in holding together currencies within their permitted bands.

Notably, the previous Belgian-sponsored "divergence indicator" mechanism, under which countries had to take economic action once their currencies passed a given intra-marginal trigger point, has now—above all because of the Bundesbank's blocking efforts—been largely forgotten.

IBM to cut 1,000 European jobs

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

IBM, the US computer group, expects to shed up to 1,000 jobs in Europe as part of worldwide cost-cutting.

The job losses, to be achieved by early retirement, underscore IBM's problems as it tries to reduce overheads in its battle to restore its legendary profitability.

Profits have been under pressure for two years, leading to widespread speculation on Wall Street that it will eventually be forced to drop its long-standing opposition to compulsory redundancies.

Some analysts estimate that its sales volumes would justify cuts of at least 50,000 jobs out of 405,000 world wide.

By comparison with the US, where 10,000 of its 230,000 workers are taking early retirement, the European response to the scheme is modest—only about 1,000 volunteers from a total workforce of 100,000.

This rate of acceptance, however, partly reflects the fact that only three European countries, the UK, France and the Netherlands, have offered schemes. West Germany, the region's biggest computer market, is not included.

Schemes being offered vary because of different national labour laws. In the UK, the plan will allow workers aged 57 and over, with a minimum of five years' service, to take early retirement.

IBM's profits plunged 27 per cent in the third quarter of 1986 and are expected to remain under pressure.

Among the factors affecting it are sluggish sales of large mainframe computers in which IBM specialises.

It has also been affected by aggressive competition from Digital Equipment, the Massachusetts group, in medium-powered machines.

In Europe, IBM's sales are believed to have held up better than in the US. But it is still estimated to have lost market share in the past two years. It said in its third-quarter report that overseas markets were slackening.

Italy to hold five referendums

BY ALAN FRIEDMAN IN MILAN

ITALY'S constitutional court has approved the holding of five national referenda on nuclear power and judicial reforms. The prospect of these referenda, which by law must take place between April 15 and June 15, may create difficulties for the five-party coalition government of Prime Minister Bettino Craxi, already facing rising tensions which could result in early elections.

The referenda issues include three votes on the future of nuclear power and two on the reform of Italy's judicial laws.

The court's decision comes at an especially delicate time for the government. Mr Craxi is supposed to step down this spring and hand over the premiership to the Christian Democrats.

He is holding a series of meetings with leaders of the other parties following a controversial speech last week by Mr Franco Nicolazzi, secretary of the Social Democrats, in which a new alliance between the Socialists and Social Democrats was proposed.

Mr Ciriaco De Mita, leader of the Christian Democrats, has in turn asked for a "clarification" from Mr Craxi, and the two are expected to meet this week.

The prospect of referendum votes, which can only be avoided if parliament passes legislation addressing the nuclear and judicial issues, thus complicates an already difficult political environment in Rome.

The referenda on nuclear power, although not specifically posed as such, amounts to a "yes" or "no" on the future of nuclear plants in Italy.

They concern the power of an inter-ministerial Cabinet committee to decide on the siting of plants, the financing of local and regional governments which accept nuclear plants, and the right of Enel, the energy utility, to participate in joint ventures for the construction of plants abroad.

Bavaria bid to save steel group

BY DAVID MARSH

THE BAVARIAN state Government has stepped in to save the Maxhuette steel company in a further sign of the rising difficulties faced by West German steelmakers.

The DM 52m (£18.5m) rescue action has come as the West German Iron and Steel Industry Association announced last week that between 15,000 and 20,000 West German steel jobs would be lost in the next two years.

The Maxhuette financing was announced by Mr Franz Josef Strauss, the Bavarian Prime Minister and leader of the Christian Social Union party. The Bavarian state is buying for DM 52m Maxhuette property assets worth only DM 15m to stave off imminent financial collapse.

Maxhuette, the only Bavarian steelmaker and one of the biggest employers in Eastern Bavaria, is majority-owned by the Kloeckner-Werke group, which has proved reluctant to put in new funds.

Working week to be reduced in Denmark

By Hilary Barnes in Copenhagen

THE WORKING week for 200,000 Danish engineering industry workers will be reduced from 39 to 37 hours over four years, according to a collective wage agreement concluded in Copenhagen last night. The first annual half-hour reduction will take place in September.

The agreement, which is the first in this year's round of collective wage bargaining in the private sector, is expected to set the pace for other blue-collar unions and probably ensures that no major labour conflicts will take place this year.

Bond prices on the Copenhagen stock exchange rose by two full points on the news of the settlement.

The deal includes an increase of 2 per cent in the hourly wage rates in 1987 and 1988, but as the agreement also allows for local wage adjustments, the total increase is likely to be somewhat higher. The metal workers' union is suggesting that wage rates may increase by about 4 per cent.

Ecevit is sentenced to jail for speeches

By David Barchard in Ankara

THE former Turkish prime minister, Mr Bulent Ecevit, has been sentenced to 11 months 20 days in prison by an Izmir court for speeches he made during a by-election campaign last autumn.

Mr Ecevit and other senior 1970s politicians are banned from returning to active politics until 1992, but in recent months the ban had been relaxed to the point where Mr Ecevit and other former leaders campaigned publicly on behalf of parties supporting them.

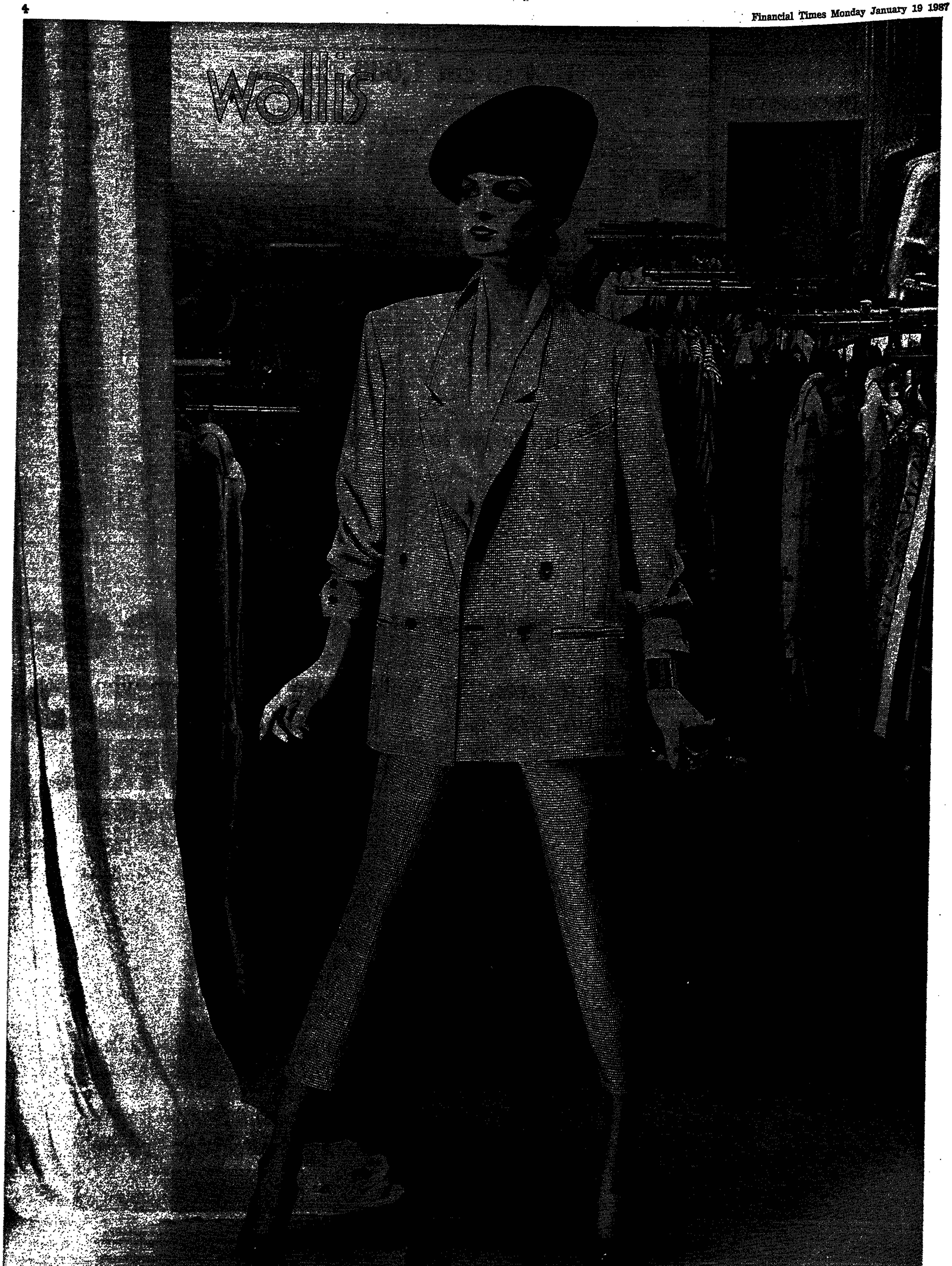
Mr Ecevit had earlier been acquitted on similar charges in other parts of Turkey. In his speeches, made from a party platform standing alongside his wife who is chairman of the Democratic Leftist Party, the former prime minister did not directly invite voters to back the DLP.

Instead, he said it was ridiculous that he was legally obliged to vote for a party while not being allowed to support one in public. It was this remark to which the prosecutor took exception.

The sentence was passed on December 29, but Mr Ecevit was only notified of it in the past few days.

The court appears to have decided that the former premier can remain free pending an appeal. The sentence is just short of the one-year term which, under the 1982 Constitution, debars citizens from standing for parliament for the rest of their lives.

As Islamic fundamentalists staged their second mass march in two days, the Turkish prime minister yesterday summoned the Iranian ambassador in Turkey, Mr Mohammed Motaki, to warn him against further encouragement by Iran for Islamic extremist groups.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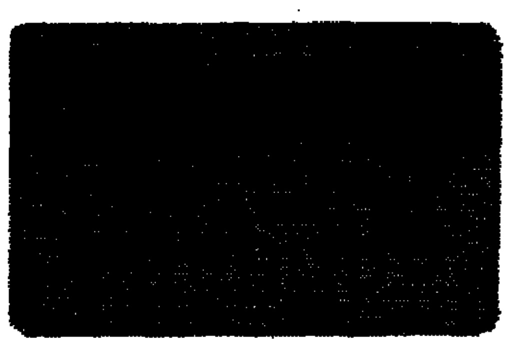

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BASE LENDING RATES

	%		%		
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	
Adam & Company	11	Citibank NA	11	Mat Credit Corp. Ltd.	
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	
Americas Exp. Bk	11	Comm. Bk. N. East	11	Northern Bank Ltd	
Amro Bank	11	Consolidated Cred	11	Norwich Gen. Trust	
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	
Bank Leumi (UK)	11	Financial & Gen. Sec	11	Standard Chartered	
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bnk	
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nkng Corp	
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	
Benchmark Tst Ltd	11	● Hambro Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the A... Houses Committee. ... deposits 6.69%. 1-month Top Tier—£2,500+ at 3 ... notice 10.03%. At cal ... £10,000+ remains de... ‡ Call deposits £1,000 a... 6¾% gross. ¶ Mortgage ba... § Demand deposit ... Mortgage 12¼%.

UK NEWS

Blaze at Optica treated as arson

By Lucy Kellaway

A FIRE at Optica Industries, the "bug-eyed" observation aircraft manufacturer, which at the weekend destroyed eight aircraft and caused between £3m and £4m damage, is being treated as arson.

Police investigating the fire at the factory near Salisbury, Wiltshire, 85 miles west of London, said yesterday that it appeared to have been started in two places, inside the hangar and in an aircraft parked outside. Police said they were looking for someone with a grudge against the company.

It is the latest in a string of misfortunes that have beset Optica during the past two years. The first aircraft to be sold for police surveillance work crashed on its first day of operation in May 1985, killing two policemen. The company subsequently went into receivership and was rescued by Mr Alan Haikney, a Wiltshire businessman, backed by overseas foreign investors.

Optica was last year cleared of responsibility for the crash, but sales of the aircraft have remained disappointing. Only one has been sold since the rescue.

This aircraft, which had been returned to Optica for servicing, was one of those destroyed in the fire. Of the seven other aircraft, one was due to be bought by a US buyer, while a further two were likely to be sold in Europe.

Only one airworthy example of the aircraft with its bubble-shaped cockpit remains. This is on trials at Luton, Bedfordshire.

The company yesterday denied reports that investors were preparing to sue for return of their money, and claimed that it had "not dissatisfied investors."

Mr Grenville Hodge, general manager, said that business was brisk, and the staff, recently built up to about 75, were "working flat out." He said that Optica was now concentrating on sub-contracting work for other aircraft manufacturers rather than building more of its own aircraft.

After the fire he said that the company planned to recruit more workers in order to rebuild a stock of aircraft as soon as possible. The company was in the process of establishing links with sales agents abroad, and said it was close to signing a contract for 24 craft with Nigeria.

Mr Hodge said that he could not think of anyone with a strong enough grudge against the company to start the fire. "Our employees come and go, but it is unlikely that anyone would do that," he said.

The fire destroyed one of two hangars at the factory. A second hangar containing most of the manufacturing equipment was not damaged, and the company said that most of its subcontracting work would be able to continue.

Higher earnings pace favours better-off

THE PACE of earnings increases over the last seven years has varied sharply across different income groups, with the overall trend favouring decisively the better-off, according to the latest official statistics writes **Philip Stephens, Economics Correspondent.**

The Treasury data show that men at the mid-point of the earnings scale have seen their pre-tax salaries increase by 11.2 per cent in real, or inflation-adjusted terms between April 1979 and 1986.

Men in the highest income group, however, saw their gross earnings rise by 22.3 per cent, while for those at the lower end of the scale the increase was only 3.7 per cent.

Changes in earnings at different points in the income scale have been measured rather than the average pay of people in any particular group. Thus, the figures for the lowest decile – £59.7 per cent week in 1979 and 111.4 per week in 1986 – refer to the upper limit of the lowest-paid 10 per cent. Average earnings in that group were considerably lower.

Similarly, the figures for the highest decile mark the starting point for the highest-paid 10 per cent in the scale. Average pay levels in that group were substantially higher.

Overall, womens' earnings rose by proportionally more than those of men over the seven year period, but in terms of levels women were still paid only about two-thirds as much as men in 1986.

Net earnings have been affected by a whole range of changes since 1979. They include: a substantial rise in thresholds for all tax-payers; reductions in the basic and in higher rates of income tax; the abolition of the lower 25 per cent tax band; and an increase in the standard rate of national insurance (offset for the very poorest by the introduction of a graduated scale).

Although there are small differences between individuals, relating for example to marital status, the overall effect of these changes has been to reinforce the trend towards a wider dispersion of earnings.

EARNINGS AFTER TAX AND NATIONAL INSURANCE (£ PER WEEK)

	Single Men			Married man* with two children			Single women		
	At current prices	At April 1986 constant prices	Percentage change in real terms	At current prices	At April 1986 constant prices	Percentage change in real terms	At current prices	At April 1986 constant prices	Percentages change in real terms
LOWEST DECILE†									
April 1979	44.09	79.32		55.90	100.58		32.78	58.98	9.2
April 1986	82.09	82.09	3.5	103.45	103.45	2.9	64.41	64.41	
LOWER QUARTILE									
April 1979	52.62	94.65		64.43	115.90		37.26	67.02	9.2
April 1986	100.94	100.94	6.6	122.30	122.30	5.5	73.16	73.16	
MEDIAN OF EARNINGS									
April 1979	63.94	115.01		75.75	136.15		43.55	78.34	14.3
April 1986	127.78	127.78	11.1	149.15	149.16	9.5	89.53	89.53	
UPPER QUARTILE									
April 1979	78.28	140.80		90.08	162.04		52.38	94.23	21.6
April 1986	164.12	164.12	16.6	185.48	185.48	14.5	114.58	114.58	
HIGHEST DECILE									
April 1979	96.89	174.28		108.69	195.52		64.12	115.34	24.1
April 1986	215.14	215.14	23.4	236.50	236.50	21.0	143.10	143.10	

*Calculation includes child benefit, and assumes no wife's earnings.
Source: HM Treasury

† Name for the 9 values in a frequency distribution that divides the items into 10 equal groups.

Thus, a single man in the lowest decile has seen his earnings after tax and national insurance rise by 3.5 per cent, while a man in the top income group has had an increase of 23.4 per cent.

The Government does not collate statistics for the top and the bottom 5 per cent. But the reductions in the top rates of tax suggest that the very highest income-group will have done even better than the top 10 per cent. At the other end of the scale the lowest 5 per cent will have benefited from the lower rate band for national insurance.

A number of broad conclusions can be drawn from the figures.

The fact that people in higher income groups are paying a greater proportion of the Government's overall tax revenues now than in 1979 is explained by the extremely rapid increase in their pre-tax earnings.

The tax burden on the highest-paid relative to their incomes has actually fallen. The Treasury has no firm evidence that the reduction in the top rates has discouraged tax avoidance schemes or corporate "perks."

Supply-side economists argue that earnings have risen so rapidly in the top group because the lower tax rates have encouraged people to work harder or to take more risks. This argument, however, cannot be tested against other possible reasons, such as the sharp improvement in corporate profitability over the past few years, or conscious decisions by companies to pay their managers more.

At the lower end of the scale it appears that the surge in the unemployment rate during the early 1970s has created considerable wage flexibility. The earnings of the lowest income group have risen less fast than the economy as a whole as the higher-paid have taken a disproportionate share of the increase in national income.

PRE-TAX EARNINGS (£ PER WEEK)

	Men			Women		
	At current prices	At April 1986 constant prices	Percentage change in real terms	At current prices	At April 1986 constant prices	Percentage change in real terms
Lowest decile						
April 1979	59.7	107.4	3.7	41.0	73.8	8.8
April 1986	111.4	111.4		80.3	80.3	
Lower quartile						
April 1979	73.8	132.7	6.9	48.4	87.1	11.4
April 1986	141.8	141.8		97.0	97.0	
Median of earnings						
April 1979	92.5	166.4	11.2	58.8	105.6	16.6
April 1986	185.1	185.1		123.4	123.4	
Upper quartile						
April 1979	116.2	209.0	16.6	73.4	132.0	24.1
April 1986	243.7	243.7		163.8	163.8	
Highest decile						
April 1979	145.8	262.2	22.3	92.8	166.9	25.7
April 1986	320.8	320.8		209.6	209.8	

SOURCE: HM Treasury, based on New Earnings Survey (NES), with some adjustments to 1979 figures to take account of changes in the basis of the NES.

Economy gains £6.8bn a year through sport, survey says

BY RALPH ATKINS

SPORT generates £6.85bn a year for the the British economy and provides more jobs than either of the country's coal or agriculture industries, according to a report published by the UK Sports Council.

The report, the first European survey of its kind, was produced by the Henley Centre of Forecasting. Mr John Rigg, director of policy analysis at the centre and one of the authors of the study, said at a news conference that he expected other European countries would also examine the impact of sport on their economies.

The report says that 21.5m adults and 7m children play sport at least once a month. Together they spend £3.2bn a year on sport at 1985 prices.

The report also argues that investment in sport on such projects as new sports halls and playing fields can create jobs in a similar way to investment in the construction industry.

Mr James Harvie-Watt, vice-chairman of the Sports Council, said: "The growth of sport as part of leisure activity has turned it into a major industry for this country. As the whole leisure industry grows, it is crucial that its financial effect and implications are fully understood both nationally and locally."

The report finds that government receipts from sport through taxes (£2.4bn a year in 1985 prices) exceed expenditure by a factor of five, that sport provides the equivalent of 376,000 full-time jobs in Britain, that Britain imports £448m of sports equipment but exports only £207m, and that spending by foreign tourists on sport in Britain is worth £23m but that the cost of skiing holidays abroad by the British is £97m.

The study was commissioned by the Sports Council in 1985 and is part of an initiative by the Council of Europe to study the impact of sport on the economies of member countries.

It uses a national income accounting framework. This allows an analysis of money flowing between various sectors of the economy, a technique often used by economists but thought not to have been applied to sport before.

The Economic Impact & Importance of Sport in the UK; The Sports Council, 16 Upper Woburn Place, London WC1H 0QP; £10.

UK 'not prepared to sell out Falklanders'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE BRITISH Government is ready to negotiate with Argentina on a range of issues but remains totally opposed to discussing the issue of sovereignty of the Falkland Islands, Mr George Younger, the Defence Secretary, said yesterday.

Mr Younger, who has just returned from a visit to the Falklands, said that the Government would be prepared to hold talks on matters like better trade relations and improved air links between London and Buenos Aires. But it would not discuss sovereignty because it was "not prepared to sell the Falklanders down the river."

Speaking on BBC television, Mr Younger said Britain had no intention of breaking its word to the people of the Falklands or of breaching the right to self-determination enshrined in the UN charter.

Defending the continued heavy expenditure on defence facilities on the islands, he said it was necessary in order to fulfil Britain's obligations in the South Atlantic. He emphasised, however, that spending on defence in the region was "declining very substantially and in four or five years' time will be very easily manageable."

Mr Younger said that the introduction, times for February 1, of a fishing protection zone around the Falklands was not expected to lead to serious confrontation. Although he acknowledged that some large or fishing nations, such as the Soviet Union, had not applied for licences to fish in the locality, the signs were that most countries would co-operate.

UK NEWS

Labour plans mail shot of union membership

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR Party is about to make an unprecedented use of trade union records in a direct mail appeal seeking to raise money and to mobilise support.

At the end of this month some 125,000 letters will go out to members of the National Union of Railwaymen (NUR) in the first of a series of direct mailings to union members.

Labour's use of trade union records has, paradoxically, been made by possible in part by the present Government's trade union legislation which requires the keeping of centralised membership records for ballots and elections.

The Labour drive is occurring just as the Conservative Party is stepping up its direct mail campaign to around 500,000 letters a month among shareholders of British Telecom and target groups of potential supporters.

The Social Democratic Party (SDP) is also regularly making appeals through its central computerised system to its 35,000 donors and 58,000 members.

The big expansion of direct mail political appeals in Britain, along the lines pioneered in the US, represents a potentially major addition to conventional sources of income from membership subscriptions, the trade union political levy (Labour) and corporate donations (Conservative). Initially, the Tories are using their direct mail mainly as a means of seeking to persuade voters rather than primarily to raise money.

The Labour campaign will mainly be aimed at those paying the political levy, which goes into a separate fund used for political purposes. This would indicate a target poll of around 6m.

A letter to NUR members will go out signed by Mr Neil Kinnock, the Labour leader, and by Mr Jimmy Knapp, the union's general secretary, and will contain a campaign brochure. It will focus on cutbacks in rail operations and staff numbers including the rail workships and London Regional Transport.

One reason the NUR has been chosen is that there is a concentration of union members in such marginal Tory-held constituencies as York, Swindon, and Mitcham and Morden.

A small pilot direct mailing last year to members of the National Union of Seamen proved to be very successful.

Mirror Group to be taken public next year, says Maxwell

BY RAYMOND SNODDY

MR ROBERT Maxwell plans to take Mirror Group Newspapers (MGN) public sometime next year.

It is not clear, however, whether Mr Maxwell plans to float MGN as a separate company or sell it to his British Printing and Communication Corporation, which is already a quoted company.

Mr Maxwell bought MGN from Reed International for £113.4m in July 1984. He said at the weekend that the company would make a profit of between £25m and £30m in 1986 and that the Daily Mirror's circulation had risen to 3.2m, 200,000 higher than a year ago.

He has also given up for the foreseeable future plans to print the Daily Mirror in colour. Mr Maxwell intends instead to use 21 new colour presses to print local, regional and national newspapers under contract.

The first two of the presses, which will cost a total of £88m, have already arrived in Watford, one of seven satellite printing sites being planned. Mr Maxwell took symbolic delivery of the third press at the headquarters of the manufacturers MAN Roland at Augsburg, in West Germany, at the weekend. The other presses will follow at one-month intervals.

"We are going to become the premier printer of newspapers in this country," said Mr Maxwell, outlining his future hopes aboard the company's executive jet on the way to Augsburg.

The new presses, being leased by Mr Maxwell from Orient Leasing of Japan, will each have the capacity to print 75,000 copies an hour in colour – a total of 1.575m copies an hour.

A minimum of six of the new 250-tonne presses will be installed at Odhams in Watford. Other printing sites will be in Glasgow, East Kilbride, Birmingham and two in London. The final site will either be in the West Country or in Dublin.

The final configuration of the presses would depend on negotiations with the unions and the level of customer demand.

Mr Maxwell said he had decided that the Daily Mirror would continue to be printed in black and white for the time being because Today had not posed the expected threat and Mr Rupert Murdoch was "locked into black and white at Wapping."

But Mr Maxwell also claimed:

- Both the Sunday Mirror and the People would move to colour to give them a competitive edge against the News of the World.
- Black and white printing would continue at Holborn. There would, however, be a new round of redundancies among printers because of direct inputting of journalists' copy. A free 24-hour paper would be launched in Manchester later this year, along the lines of the London Daily News, scheduled for launch on February 24.
- A similar free daily newspaper is envisaged for Glasgow later.

Mr Rupert Murdoch has confirmed that he is unlikely to launch a London evening newspaper from his Wapping printworks. In an interview to be broadcast tonight on BBC's Panorama, Mr Murdoch said the London Post was unlikely to proceed unless Mr Maxwell's Daily News, due to be launched on February 24, was unsuccessful.

Channel tunnel project enters crucial phase

Andrew Taylor explains the factors which could make or break one of the world's greatest construction ventures.

A SMALL party will take place in London and Paris tomorrow to celebrate the first anniversary of the decision by the British and French governments to approve plans to link their two countries by a 31-mile-long rail tunnel under the Channel.

The celebrations organised by Eurotunnel, the Anglo-French consortium of bankers, construction and engineering groups, which won the concession to build the tunnel, are likely to be much more subdued than the flag waving jamboree in Lille last year when Mrs Margaret Thatcher, the UK Prime Minister, and President Mitterrand of France announced their decision.

Tomorrow is a working day for the consortium which still has much to do if one of the world's greatest construction ventures is to go ahead.

The next 190 days will be crucial for Eurotunnel which plans to complete the financing arrangements for the tunnel's construction with a £750m international share issue in July. If the issue fails then loans and standby credits worth more than £5bn with around 40 international banks could be in jeopardy.

Before the issue can take place, parliament will have to have passed the Channel Tunnel Bill and ratified the treaty signed with France last February.

A similar process will have to be completed in France where opposition to the project is much less intense than in Britain where ferry companies and environmentalists have mounted a vociferous campaign opposing the tunnel.

Any slippage in the tight timetable could delay the start of main construction planned for this autumn. The project could be lost altogether if parliament fails to pass the Channel Tunnel Bill, or if the consortium fails to raise the cash it needs this summer from investors.

A third factor which could upset the consortium's plans is the timing of the British general election. At best an early election would put the Channel Tunnel Bill on "hold" while the campaign is fought. A conservative victory would leave the project intact but any other outcome could jeopardise the tunnel particularly if a Labour government adheres to its plan to hold a public inquiry into the proposals.

It is these matters on which Eurotunnel will be concentrating as it celebrates its first birthday tomorrow. Most important of all, for the consortium, will be to kindle investment enthusiasm for the project which by its own admission has still to come alight.

It has been a bruising 12 months for the consortium which is still recovering from the blows it sustained last October when plans to raise £206m from international investment institutions very nearly ran aground. The issue was only saved by the original founding banking and construction shareholders subscribing for extra shares.

Eurotunnel recognises that it will have to fight a much more vigorous campaign if this summer's issue, taking the total equity to have been raised to £1bn, is not to run into similar problems.

It plans to offer the shares, for the first time, to the general public in Britain and France, after which it will seek a quote for the shares on the London and Paris stock exchanges.

The consortium argues that the negative factors which dented investor confidence in October – the lack of a market for its shares; the fact that the consortium's management team was still being put in place and the political uncertainty surrounding the project – will be absent when it comes to raise the final £750m.

It is also looking at possibilities of issuing different types of equity to overcome objections from investment institutions concerned that first dividends will not be paid until after the tunnel opens in 1993. One option may be to offer a convertible loan stock.

Consideration of the likely constitution of underwriting syndicates for the issue is also underway, while Eurotunnel, according to its own timetable, must also shortly conclude detailed loan and standby credit agreements with its bankers.

Above all, Eurotunnel recognises that it must raise its profile if it is to succeed. By its own admission the consortium's publicity campaign over the last year has not been as effective as it might have been against the fire of opponents who have criticised the safety and viability of the scheme.

A £10m advertising contract has recently been awarded to Collett Dickenson Pearce by Eurotunnel

A party of British journalists were last week taken to Switzerland by Eurotunnel to see a series of privately run rail tunnels which have been successfully carrying passengers in their cars through tunnels up to 20kms long for more than 30 years.

The trip was aimed at countering criticisms raised in parliament by MPs and others during the committee stages of the Channel Tunnel Bill that Eurotunnel's plans to carry passengers in the same carriages as their cars is unsafe.

A key figure in Eurotunnel's campaign to raise its profile is Sir Nigel Broackes, chairman of Trafalgar House, the shipping, construction, property and hotels group who joined Eurotunnel as a non-executive director last October.

Caterpillar workers step up campaign

BY JIMMY BURNS, LABOUR STAFF

WORKERS OCCUPYING the US-owned Caterpillar plant at Uddingston, near Glasgow, yesterday agreed to step up their campaign against the announced closure and the threat to 1,200 jobs.

A meeting of the joint occupation committee agreed to send a delegation of union officials to London tomorrow to lobby Mr Malcom Rifkind, the Scottish Secretary.

The meeting is expected to coincide with the arrival of senior US executives of the parent company who are understood to be facing pressure from the UK Government to reconsider their decision.

The delegation will represent the Amalgamated Engineering Union, Apex, the white collar union, and Tass, the manufacturing union whose members are continuing to occupy the company's Scottish plant on a round-the-clock rota basis.

Workers at the plant are also planning to hold a mass meeting on Thursday in support of the possible resumption of production at the plant without the supervision of local management who have been locked out.

Caterpillar announced last Wednesday that it was closing the plant to "cut costs and improve efficiency"

- Support for the National Communications Union, which is at the forefront of the present British Telecom pay dispute, will be put to the test today when 15,000 members are being asked to hold a 24-hour strike in support of staff who have been suspended from work.

BT said that anyone striking would be in breach of the employment contract and would not be paid. Action by BT engineers is delaying repairs to faulty equipment and BT is threatening to replace engineers with outside labour.

GEC job cuts warning

By David Buchan

GEC AVIONICS has told its trade unions that last month's Government cancellation of the Nimrod radar aircraft programme may cause total closure of its Radlett, factory, north of London, as well as heavy redundancies at its nearby Hemel Hempstead and Borehamwood factories.

Nimrod redundancy negotiations got off to an inconclusive start last week when unions pressed the company for an early joint meeting with its executives and those of GEC Computers.

GEC has given legal notice of a *maximum 1,750 job losses at its avionics* company and 150 at its computers division.

The GEC Avionics factories at Radlett and Hemel Hempstead, which employ some 400 and 700 people, respectively, did not exist before the Nimrod radar programme started in 1977. As a result of its cancellation, the smaller of the two factories – Radlett – may close completely.

GEC has said that as many as 800 vacancies currently exist within its group of companies, half of them within GEC Avionics. But these internal job opportunities will probably be available only to the most highly qualified of those who worked on Nimrod.

However, Plessey, which expects considerable contract work from Boeing and Westinghouse, now due to supply the UK with the alternative Awacs radar system in the early 1990s, is recruiting heavily. Even before announcement of the Awacs purchase, Plessey was recruiting for 80 radar and software engineers.

The unions have already complained that GEC Avionics is offering only the statutory minimum in redundancy money. Provision of some £50m termination costs is being made to GEC in respect of the £1bn Nimrod programme.

INTERVIEW

Munich's Mr Hollywood

Bernd Eichinger, the West German film producer, talks to Andrew Fisher

BERND EICHINGER, West Germany's most successful film producer, could hardly be more remote from the popular image of the big-time movie executive.

The lanky 37-year-old, who produced The Name of the Rose—an atmospheric medieval thriller which is doing runaway business in European cinemas (it opens in London on Friday)—does not wear expensive business clothes, preferring jeans, open-necked shirts and tennis shoes. He smokes cigarettes rather than cigars and favours the unshaven look.

Instead of an imposing executive suite, he has a functional, modern office in Munich. The furniture is black and one wall is hung with Marilyn Monroe reproductions, Andy Warhol style.

But while he may eschew ornate, Holywood-like trappings, Eichinger has become a name to reckon with not only in German cinema, but worldwide. The Name of the Rose cost $18m (about £12.2m) to make, stars Sean Connery and is by far the most popular over-16 film shown in Germany.

In its first 11 weeks, to the end of 1986, it was seen by 5m people and took DM 45m (about £16m). Ultimately, it is likely to pull in more than $100m—topping the revenues of The Neverending Story, a fantasy film produced by Eichinger.

The Name of the Rose is based on a best-selling novel by Umberto Eco, an Italian professor. The story, which deals with a string of grisly murders in an isolated monastery, is gripping enough. But, according to Eichinger, the reconstruction of the medieval way of life and ethos is equally fascinating to audiences.

People want far more than just a story line, he says. "If you were to make a film of Napoleon today, you wouldn't just put the love story between Napoleon and Josephine in the foreground. You'd take a much more realistic and authentic approach." The question is: "How were things really then? I don't mean simply in a documentary way, but as an experience."

Making films which convey atmosphere and a strong sense of time and place, as well as having a powerful plot, is not a new idea. However, Eichinger believes it is vital for films to leave a lasting impression and not just deliver fleeting entertainment.

"The entertainment value has to be there anyway, but things are different from 10 or 15 years ago, when people would leave a cinema, saying 'Yes, good film, very nice.' These days, if you really want to persuade someone to leave their house, get into a car, look for a parking space and then squeeze between other people in the cinema, you have to provide not just entertainment, but something that really moves them, that really lasts beyond the two-hour film."

With this aim in mind, he went through one screenplay after another before he was satisfied that the right blend of plot and background, story and motivation had been achieved. Altogether, there were 16 versions and four screenplay authors appear in the credits.

It is a highly international film and a fairly expensive one by European standards. Apart from the German producer, and Italian setting and author (although Eco was not involved in the screenplay), the director, Jean-Jacques Annaud, is French, the actors, British, American, French, German and Austrian, and the only actress was born in Chile.

Eichinger is certainly au fait with the intricacies of raising capital—The Name of the Rose was funded with interim bank support on the basis of advance financial guarantees from distributors, notably in the US. However, he also immerses himself in planning and preparatory work.

"I don't interfere in the shooting of the film," he insists. "But in the year before, I am closely involved in questions like the screenplay, the cast, plot motivations, costumes etc. After that, I act more as a feedback partner for the director to see how closely the concept, worked out previously, is being realised."

He points out that the German film scene is much more commercially aware than it used to be. Films like Das Boot (The Boat), about life on a World War Two submarine, Christiane F, dealing with drug-taking and despair among teenagers, and Heimat, providing an absorbing insight into rural life, have helped to raise the profile of German cinema abroad.

Eichinger produced Christiane F and distributed The Boat and Heimat (Homeland). All three exemplify his notion of *Erzaehlkino*—narrative or story-telling cinema, far removed from the art-film approach which typified much of German movie-making until a few years ago.

He cites Christiane F as an example of how things have altered. "It was almost hyper-realism. The story was shown in an almost unbelievably threatening way." It was shot with hand cameras using natural light and the dialogue was highly, even shockingly, realistic.

Das Boot, also shown on TV, was similarly gripping. It gave a detailed portrayal of the crew's life in a cramped space and under frightening circumstances.

He draws a parallel with The Name of the Rose. "Just as the submarine was not just the scenery in Das Boot, so the Middle Ages were not just the background in The Name of the Rose. For us, the Middle Ages were the main performer and in Das Boot the submarine was the main performer."

Not surprisingly, he is coy about naming which German directors he likes most. "There's a lot of talent, there always was. It's not suddenly there, but it's being expressed differently. There was a phase when every director felt responsible for producing a total work of art. Now they see that they are realisateurs (he prefers the French word for director): that they need authors, they need stars and they need to take trouble over providing good roles for them which portray real people on the screen."

Directors such as Werner Herzog, Wim Wenders, Volker Schloendorff and the late Rainer Werner Fassbinder have raised the flag of German cinema well beyond the Federal Republic's borders. The latest German film-maker to grab attention is Doris Doerrie, whose Maenner (Men), a side-splitting comedy about marital problems among the young, urban well-to-do, has been a success in both Germany and (dubbed) in the US.

Doerrie will direct one of Eichinger's forthcoming projects, a New York-located comedy called Me and Him, based on a novel by Alberto Moravia. In another of his ventures, the director of Christiane F, Ulrich Edel, will film Last Exit to Brooklyn, the Hubert Selby book about New York dockland in the 1950s.

"Step by step," says Eichinger, "I feel we're approaching a situation where Germany will play a much bigger role in commercial cinema." An admirer of popular directors, such as Spielberg, Coppola and Kubrick, he also has strong views on Fassbinder, whose films were controversial and exacting, but not really oriented to a mass audience. "There's a difference between what he did and what he could have done. He had to teach himself. In the early 1970s, there was nothing there, no infrastructure, financial or creative.

"At the end, he could make commercial films. If he had lived longer, he could have made big worldwide commercial successes."

Why, with his deep interest in the making as well as the financing of films, did Eichinger become a producer rather than a director? After working in most aspects of the film business, he explains: "I do not want to sound arrogant, but I see myself as a multi-talent. My strength is to have a lot of abilities. When I started in the business, directors did not have much scope to make good films. No one thought internationally. As a producer, I can make things happen."

In Los Angeles he had to pursue cliff-hanging negotiations to obtain guarantees from distributors over the US film and video rights for The Name of the Rose. The talks lasted up to the day that shooting was due to begin, near Frankfurt. Without their successful conclusion, the financing bank, the Credit Lyonnais subsidiary in Holland, would not have paid out any money.

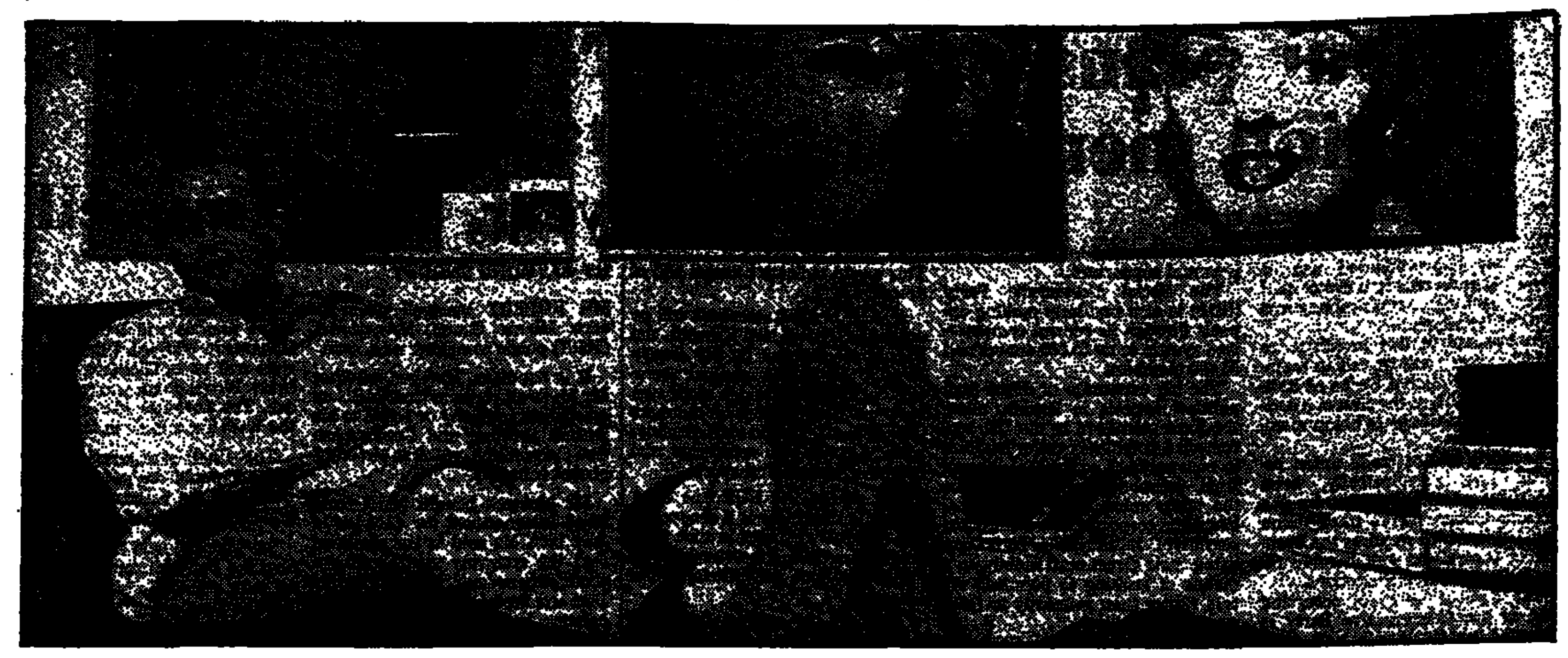
Of the $100m-plus that The Name of the Rose will yield in box office and video receipts, up to a fifth will flow back to the producer. So Eichinger will be able to recover the production costs and make a useful profit.

He is fairly casual when it comes to his personal financial needs. "I've got enough so I can live pleasantly. I don't need big villas. I'm not interested privately in money too much, but the film business is cash-intensive. You've got to understand how to use it."

With films having a much shorter life in the cinemas, Eichinger has become heavily involved in the video business. Neue Constantin, the production and distribution company he heads, has a turnover of about DM 100m a year in films and videos.

Eichinger believes the film industry is a lot tougher than in, say the US in the 1940s, when there was an established studio and star system. "That doesn't apply any more. Even Robert Redford or Dustin Hoffman can make a film and it could be a total flop."

How about the cultural climate in Germany? "It needs a certain dose of madness," he reckons. Too many film ideas come up that are merely reworkings of what has gone down well on TV. "Often someone who doesn't stand out has a better chance than someone who does. The question is how to free oneself from that. I've been able to, thank God."



● PERSONAL FILE

1949	Born Bavaria, son of a doctor
1970-73	Studied film and TV in Munich
1974	Formed Solaris production company
1979	Joint owner and head of Neue Constantin distribution and production company
1980	Produced Christiane F.
1984	Produced The Neverending Story
1986	Produced The Name of the Rose

JUSTINIAN

The protection of the child

IT DID not need a spate of shocking cases of child abuse over the last few years to arouse the authorities to the fact that the whole area of child care law has for far too long been bedevilled by an unnecessarly complex, confusing and cumbersome set of remedies and procedure, developed according to conflicting principles.

The Government's response last week to this unacceptable state of affairs was to spell out its proposals for early legislation which will provide the framework of a rational, simple and clear code of law for the child and the family.*

The constant theme of the debate in this area of law is to find the true balance between the rights of parents and the interests of their children. There is a widespread belief that any law reform might shift the balance too far towards parental rights and away from the interests of the child.

The Government refutes this suggestion, and claims that a number of its proposed changes will provide greater protection than at present to the child, while firmly preserving the parents' rights in the legal process of taking and keeping children into care. The theme of the Government's response to clamours for reform is that, once the family has ceased to function, the State is justified in breaching family privacy and supervening in parental autonomy in the best interests of the child.

A prime proposal is to promote the support of all the relevant agencies in the management of the child abuse system. At present the local authority has a duty to investigate cases where information is received which suggests that a child is seriously at risk. Under the National Health Service legislation, there is a general duty on local authorities and health authorities to co-operate with each other. Several of the inquiries into child abuse cases—notably the one on the case of Jasmine Beckford—have pointed out that too often lip-service is paid to the need for a multi-disciplinary approach, and that doctors, health visitors, schoolteachers and magistrates' courts fail to give social services the support that is deseperately needed.

The Jasmine Beckford report recommended strongly that the duty to collaborate should be strengthened by the inclusion of a duty on the local authority to consult, and a duty on the health authority correspondingly to assist, by advice and the supply of information, in the management of a child abuse case.

The Government will make it obligatory on the auxliary agencies, both statutory and voluntary, to co-operate in both the investigation of harm, and continued protection of children at risk.

If the emphasis here is on child protection — and necessarily so where there is evidence of abuse—the Government is sensitive to the rights of parents where there is no abuse, but the child is not developing, due to the absence or incapacity of parents to care for their child.

Five cases are currently under judgment before the European Court of Human Rights. The issue is whether the power of a local authority to restrict and terminate a parent's access to a child in care violates the right to respect for family life within Article 8 of the Convention.

The Government appears to be anticipating an adverse ruling from Strasbourg on two proposals for change. First, it will no longer be possible for local authorities to obtain parental powers and responsibilities by an administrative resolution. Second, any dispute about parental access to children in care will ultimately have to come to court for resolution as to what is "reasonable access."

Every now and then societies appear to be subject to periods of moral panic. An episode emerges to become defined as a threat to its highest values and interests. Sometimes the object of the panic is quite novel and at other times it is something which has been in existence for a long time but suddenly appears in the limelight. In 1973 the Maria Colwell inquiry was accompanied by a torrent of unprecedented media coverage. That case unleashed a storm of controversy about the competence and ideology of social workers and their ability to provide a child protection service. If there has recently been a recrudescence of that moral panic, the Government's proposals for reform should restore the social equilibrium about a highly emotive branch of law.

* *The Law on Child Care and Family Services; HMSO, Cm 62; £3.60.*

Torrible talk and the course of sterling

JOHN PLENDER

THE ILL-TEMPERED Paris-Bonn dialogue that preceded last week's realignment within the European Monetary System was perfectly designed to provide satisfaction to Mrs Thatcher. The British Prime Minister is, we are assured from all sides, deeply hostile to anything that resembles a currency snake or a crawling peg, especially if it looks like creeping up on her at a politically sensitive moment.

Certainly the discomfiture of Mr Helmut Kohl's Government was palpable, in the face of a pre-electoral 3 per cent revaluation of the D-mark. But I wonder if Mr Kinnock and his Shadow Chancellor Mr Roy Hattersley should not have taken rather more satisfaction in all this than the Prime Minister. For on the face of it, the floating currency world outside the EMS is doing Labour proud.

Consider the recent fate of sterling. Since the beginning of 1986 the pound has seen a quiet devaluation of more than 20 per cent against the D-mark, which is the cornerstone of the EMS and the key currency for the tradeable goods sector of the British economy. Nearly three points of that fall have come in the first fortnight of the current year alone. The reasons usually advanced for sterling's weakness against the EMS currencies are that the current account of the balance of payments is deteriorating dangerously fast and that the markets are worried that Labour's election prospects may be improving.

The first argument looks, at second glance, rather curious. The phenomenal growth in capital flows, which now dwarf currency movements relating to the trade in goods, makes old-fashioned fears about balance of payments financing somewhat anachronistic — particularly when even the most bearish forecasts of the current account deficit tot up to little more than 1½ per cent of gross domestic product. All the more so, when Britain has accumulated net overseas assets in the period since North Sea oil revenues started to pour in, of more than £80bn, which is enough to absorb plenty of deficit and a fair amount of worry.

People with long memories, including those of Mr Hattersley's economic entourage who were scarred by the traumatic experience of sterling's collapse in 1975-76, no doubt find it easy to construct nightmarish scenarios in which the deficit does ultimately take a sickening lurch into Edward Lear's torrible zone; and to dream of Labour entry into the (supposed) safety net of the EMS. Yet this leaps so far beyond the normal time horizon of the strange folk who now inhabit the foreign exchange markets that it can scarcely be put to work as a credible scare story.

Yet that, in a way, is what Labour spokesmen have been doing to increasing effect. For this year's pre-electoral economic argument has much in common with the debate on the dire condition of the British economy which came before Labour's victory under Mr Harold (now Lord) Wilson in the mid-1960s — but with the crucial difference that we now have floating exchange rates. And floating exchange rates have the notable characteristic that they are readily influenced not only by governments but by opposition politicians. This, in turn, gives parties of the Left an opportunity to short-circuit the disciplinary process that markets tends to impose on their spending programmes.

In painting a picture of dire economic crisis, Labour spokesmen have clearly learned from their experience of floating exchange rates in 1976 in a way that the once-expansionist President Mitterrand of France did not: there is no point engaging in unilateral fiscal expansion, only to be forced into a volte-face by the currency markets when the current account deficit looms threateningly large.

Floating exchange rates are readily influenced by both government and by the opposition

Perhaps they have also learned from Mr James Baker, the US Treasury Secretary, who has demonstrated a rare skill in talking down the dollar. Here, after all, is a Treasury Secretary who has pursued a successful policy of competitive devaluation despite the fact that direct control over monetary policy lies not with the Administration but the Federal Reserve. And in recent weeks Mr Baker's brief dalliance with exchange rate targets and currency agreements seems to have been abandoned in favour of revisionist talk that has imposed upward pressure not only on the yen, but on the D-mark, so precipitating strains in the EMS.

Talking currencies up or down, when the market is amenable to talk, is inexpensive and considerably less cumbersome than most forms of exchange control, including Labour's new-style fiscal carrots and sticks designed to ensure the repatriation of private portfolio flows. It has the overwhelming advantage, from the Opposition's point of view, that it puts the necessary devaluation out of the way in advance—something that President Mitterrand could not readily have done in the early 1980s because of France's membership of the EMS.

The policy can then be rationalised by arguing that Britain was bound to go through a period of current account deficits as it made the structural change from oil riches back to the trade balance appropriate for an advanced economy. The deficits, Labour spokesmen will presumably argue, will be the rightful counterpart to increased investment in an economy that is ripe for re-industrialisation. And the devaluation will anyway have sowed the seeds of an improvement on the current account by enhancing competitiveness in British industry.

In contrast, a Conservative current account deficit can be savaged by Labour on the grounds that it represents no more than the wages of sin: a consumer binge in which the last fruits of North Sea oil are blown on consumption, and job prospects remain heavily dependent on the earnings of increasingly unpopular City capitalists.

The market may yet play havoc, of course, with the arguments for markets are nothing if not capricious. And Labour may not reap, at the polls, the benefits of the devaluation to which its spokesmen have contributed. But in this area, at least, Labour can be said to have learned to live with the market. A case, perhaps, of making a virtue of necessity.

Battery markets

Ever Ready: set fair for a longer life?

Michael Skapinker on Hanson Trust's impact on a sluggish company

"I WOULD HAVE thought you could hear the cheer all over North London," says Bob Nevitt, managing director of Ever Ready's trading division, remembering his reaction five years ago to the news that Hanson Trust had won its battle to take over the company.

Nevitt was then national sales manager of the battery manufacturer, having joined in 1959 as a relief van salesman, "the lowest of the low." At the time of the takeover in December 1981, the company, then Europe's largest producer of dry cell batteries, was operating under the name of Berec, the label used on its products in all countries except the UK, West Germany and Italy. As part of a campaign of global marketing, it was in the process of abandoning the well-known Ever Ready label in favour of Berec on its British batteries.

Nevitt was profoundly opposed to the change and was having difficulty explaining it to his customers. Hence his cheering. Hanson, which paid £95m for Berec, changed the company's name back to British Ever Ready.

Hanson then proceeded to sell off all Ever Ready's foreign companies, except for its South African business, and concentrated the company's efforts on the UK, its major market. It also set about responding to a fundamental market change which, it says, the old Berec management had ignored: the shift from cheap shorter-life zinc carbon batteries to long-life alkaline manganese batteries.

Nevitt is one of those who has prospered under Hanson ownership. He readily concedes that "obviously you're going to get a more positive response from me, one of the survivors, than from those who fell by the wayside."

Many did. Hanson moved Ever Ready's head office to a smaller North London building, slashed headquarters, sales and marketing staff from 550 to 75, reduced the number of management layers from nine to three and laid off 60 per cent of the UK factory staff, which fell from 2,658 in 1982, to 1,061 by the end of last year.

Ever Ready's two research centres, at Abingdon near Oxford and Tottenham in London, both fell to the Hanson axe, although Abingdon is still operating as an independent research facility after a management buy-out. Ever Ready chairman Ron Fulford concedes that R and D spending is down compared with pre-Hanson days, around 3 per cent of 1986 sales of £132m, compared with 3 to 4 per cent of 1981 sales of £241m.

But, he says, current R and D spending is now based in the factories, is market led and has come up with the products which the company needs to meet the growing demand for longer-life batteries. In 1983 Ever Ready launched its Gold Seal alkaline manganese battery and later improved the product when the competition copied it. It also came out with a zinc chloride battery, Silver Seal, aimed at a medium-life market between Gold Seal and the company's shorter-life zinc carbon Blue Seal battery.

By contrast, he says, the old Berec management had failed to bring a workable alkaline battery to the market, leaving the field open to Duracell, a division of Kraft, the US consumer goods company.

The American battery market had already shown a dramatic shift to long-life batteries. Fulford, who headed United Gas Industries until it was taken over by Hanson in 1982, accuses the old Berec management of simply ignoring the same trend in the UK. "The alkaline phenomenon had been there for 10 years. They just put their heads in the sand."

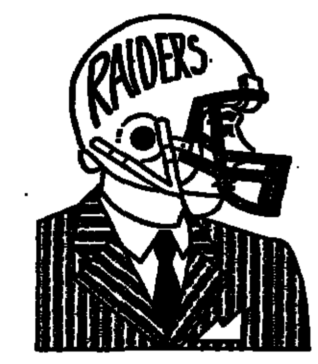
The sentiment is echoed by Jack Dobson, branch secretary of the Transport and General Workers' Union at Ever Ready's Tanfield Lea factory near Newcastle. Dobson, who was branch chairman at the time of the takeover, says, "when Hanson took over, there's no doubt about it, Ever Ready was going down the plug hole. The old Ever Ready management never moved forward with the times. If Hanson hadn't come along there would have been a very good chance that we would have been closed by now."

Trading profit fell from £30m in 1977 to £17m in 1981, the year before the takeover, despite an increase in sales. In the years immediately after the takeover, profits showed an impressive increase, reaching £31.9m in 1984.

But then 1985 saw a drop to £30.8m on sales of £127.6m, attributed by City analysts to the weakness of the Rand which reduced the sterling contribution of the South African subsidiary. In 1986 Ever Ready profits rose to £32.2m on sales of £131.7m.

Hanson director Martin Taylor says he regards Ever Ready's current performance as "very pleasing in a very competitive market." Taylor says that Hanson has no regrets about hanging on to the South African subsidiary, which he describes as a "lovely business" and a good performer in Rand terms.

In the UK, Ever Ready is still the largest player in the battery market overall, but the measure of its future success will be the extent to which its Gold Seal battery can win market share off Duracell, the leader in the alkaline sector and Ever Ready's only significant competitor in Britain.



The shift to long life batteries is now seen as irreversible. Nevitt says he expects alkaline sales volumes to equal those of zinc carbon by the end of the decade. "Which is why it's so important that we've got to have a significant chunk of the alkaline market quickly," he says.

So how well is Ever Ready doing in the alkaline battery sector? That depends on which you talk to, Ever Ready or Duracell. Ever Ready claims 21 per cent of the alkaline manganese market in volume terms, against 68 per cent held by Duracell. Not true, says Roy Doughty, Duracell UK's General Manager. Duracell has 75 per cent of the alkaline market. Ever Ready has no more than 14 per cent.

Matters are not improved by the fact that independent surveys tend either to rely on information from Duracell and Ever Ready themselves or do not cover the whole range of battery outlets.

Despite the marketing effort —£6.5m last year—that Ever Ready is putting into Gold Seal and its other products, some analysts see Duracell as having one clear-cut advantage. Not only has Duracell been in the alkaline market longer than Ever Ready; it also sells no zinc carbon batteries in the UK. The result is a simpler marketing message—Duracell equals long life. "They've simply presented the 'our batteries last longer' story," one analyst says.

Even if it succeeds in the UK marketing battle, there is another charge which Hanson has to answer: that it sold off Ever Ready's opportunity to succeed internationally.

Following the takeover, Hanson managed to claw back £41m of its original £95m purchase price with the sale of Ever Ready's battery interests in Hong Kong, Nigeria, West Germany and Italy, as well as smaller businesses in other parts of the world.

The Hanson defence is that the foreign businesses were beyond redemption. The business in Nigeria, according to Hanson's chief operating officer in the UK, Tony Alexander, was "actually in profit, but only just. Compared with five to six years earlier it had really taken a hammering." The Hong Kong strategy—to build a factory to supply zinc carbon batteries to the US, just when that market was moving over to alkaline—had, according to Hanson, been poorly thought out.

EVER READY	1981*	1982†	1983	1984	1985	1986
Sales (£m)	241.3	165.3	166.8	153.2	127.6	131.7
Operating profit (£m)	17.0	14.2	20.5	31.9	30.8	32.2
Margin (%)	7.0	8.6	12.3	20.8	24.1	24.4

* Includes Crabtree Electrical, not included in subsequent years. † Nine months only.

Alan Harper

Ron Fulford: in a long-lasting battle with Duracell

The sale of the European subsidiaries is far more controversial. Not only did Hanson sell off the two companies, Daimon in West Germany and Superpila in Italy, it sold them to its only real competitor, Duracell, along with the technology for Gold Seal which was being developed in Germany.

How could such a move be justified in competitive terms? The management at Ever Ready admit that they have, at times, asked themselves that question. "There was some internal disagreement on the issue," Fulford says. He remembers discussing the matter with Sir Gordon White, head of Hanson's US interests. "He put it that what we have is a major problem in the UK. And the situation was even more difficult in Italy and Germany. He said to me there's considerable over-capacity in Europe. It's already becoming a rat-race." The European market is highly segmented, although Duracell claims now to be the dominant player.

The Gold Seal technology contained nothing that Duracell could not have come up with itself, the Hanson defence continues. And Duracell has had trouble with Daimon too. It is in the process of closing down its only factory. Henri Gutman, Vice President of Duracell Europe, agrees, unsurprisingly, that Duracell had little to learn from Daimon's technology. But he claims that the factory closure is a European rationalisation rather than an indication of weakness in the German battery market. Only 22 per cent of German sales came from the local factory.

Nevertheless, Hanson management rejects the suggestion that the sale reflected nothing more than the group's dislike of doing business outside America and Britain and its desire to get back as much of its purchase price as soon as possible. Alexander says the two European businesses were making only £2m profit between them. "It was a market which seemed to us to be beset by vicious competition. It enabled us to concentrate on our home market which had been sinking against Duracell."

Ever Ready is certainly in better shape to deal with that home market than it was under its previous management. Inheriting a base in the declining zinc carbon sector, it now at least has a product to offer the growing army of consumers who demand a longer life from the batteries they buy. Whether Ever Ready can dislodge Duracell from the sector it regards as its own remains to be seen, particularly with both companies facing growing competition from retailers such as Boots and Sainsbury's which are now selling own label batteries.

If Ever Ready does succeed in the UK, the question will remain of why it could not do so in Europe too. That that market is competitive seems a lame excuse, coming as it does from Hanson. Taking struggling companies in difficult markets and turning them into winners is supposed to be the Hanson speciality.

Its decision to sell Ever Ready's interests there throws into sharp relief the debate about the Hanson way of doing things. The sale might have been a success in cash terms, but the result was that, apart from its South African subsidiary, Ever Ready, instead of being a world power is now a local Ever Ready (Great Britain)," according to Lawrence Orchard, the company's chairman until 1979.

By Hanson's own admission it is unlikely to develop into anything more. According to Tony Alexander, 20 per cent of Ever Ready's production is now exported, compared with 60 per cent before the takeover. "If we got more than 30 per cent of our products into exports it would be a miracle," he says. Hanson expressed an interest in buying Union Carbide's battery interests last year, which would have given it access to the vast American market. The division was bought instead by Ralston Purina, the world's largest producer of pet food.

The old Ever Ready management is prepared to concede that it might have had to close Daimon too. "Germany is a very high cost producer," says Colin Stapleton, chairman at the time of the takeover. "But we would most certainly have stayed in Europe. It wasn't generating cash today. It would probably have taken three to four years. The difference between the Hanson Trust philosophy and that of our board is very simply. Hanson's a cash today man. We were business inability people. He sold those businesses that weren't generating cash. Nobody can say he was wrong."

Previous articles in this series were published on January 13, 14 and 15. The next will appear on Wednesday.

Business courses

Advancing in Management: London February 10-11, Birmingham March 10-11. Fee: £400 + £60 VAT (£420 + £63) after January 27 (London) or February 24 (Birmingham). For details: Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G (Ref 1202).

How to gain more control of events by using a microcomputer — business statistics using a microcomputer. Cookham. February 19-20. Fee: £265 + VAT for members of I.M., £310 + VAT for non-members. Details: IM Marketing Training, Moor Hall, Cookham, Maidenhead, Berks SL6 9QH. Tel: 06285 24922 Ext 29.

Just-in-time briefing, May 4-5, Brussels. Fee BFrs 69,500 for non-members, BFrs 62,600 for members. Details: Management Centre Europe, rue Caroly, B-1040 Brussels. Tel: 322 516.19.11.

Effective industrial relations, London, March 24-25. Fee: £400 + £60 VAT or £420 + £63 VAT after March 10. Details: Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111.

Project management in building and construction, London, February 25-26. Fee: £420 + £63 VAT. Details: Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111.

European business administration—a short course, London, February 23-25. Fee £516.35 for non-members, £458.85 for members and students of Institute of Chartered Secretaries and Administrators. Details: ICSA, 16 Park Crescent, London W1N 4AH. Tel: 01-580 4741 Extension 186.

European financial controllers' conference, Geneva, May 13-15. Fee BFrs 69,500 for non-members 62,600 for members. Details Management Centre Europe, rue Caroly 15, B-1040 Brussels, Belgium. Tel: 32/2/516.19.11.

Management buy-outs, London, March 4-5. Fee: £509 (UK and Europe), US$727 (rest of the world). Details: Euromoney Publications, Nestor House, Playhouse Yard, London EC4V 5EX.

Predicting success and failure of small firms, London, March 2. Fee £160 plus £24 VAT or £140 plus £21 VAT before February 1. Details from: Public Issue Conferences, PO Box 96, Walton-on-Thames, Surrey KT12 1JG. Tel 0932 246496.

Atys/Opéra-Comique, Paris

Max Loppert

Lully died in 1687, Gluck one hundred years later; they lead the line of 1987's most significant anniversary composers. Such a link between the two, coincidental though it be, is pleasing, for it mirrors the more important connexion of *music history*—the first, a Florentine, founded the French Baroque opera, and the second, a Bohemian, came to Paris to provide its Classical reaffirmation at a time when the Lullian forms seemed to be in *decline*. *Unlike* other, more familiar figures recently touted in their anniversary years, Lully and Gluck are both worth the special effort that the anniversary ritual often encourages: both remain in urgent need of *rediscovery* by modern audiences.

The earlier (and lesser) of the pair remains, of course, much the more submerged figure. There have been a few good modern Lully opera *recordings*, and *in London* we have been grateful for a few brave shoestring productions on the fringe. Yet in spite of them, Lully's *tragédies-lyriques* (unlike those of his direct successor, Rameau) are still *widely suspected of being* "non-viable," in our modern and highly (though understandably) prejudiced terms of judgment. So the production of *Atys* that opened at the Salle Favart on Friday, by Les Arts Florissants and Ris et Danceries under the aegis of the Paris Opera, was a triumph of more than one kind.

Ann Monoyios

It was an evening of brilliantly conceived and executed spectacle, a feast of dance and related visual pleasures; musically, it was on the highest level that the *modern "authentic" movement* is capable of reaching. And exactly because it was these things — expertly prepared, with sufficient resources of time, understanding, and budget—the production showed how firmly a work of Lully's maturity can grip a modern audience.

The *firmness does not come* from the music alone. We are nowadays in the post-Mozartian habit of scanning our favourite operas for great music as a seam of readily identifiable and extractable precious metal. *Lully's music*, examined on the printed page or even heard in well-meaning live performance, can so easily seem square, rigid in its application of formula, lacking in richness and variety of purely musical imagination. To this attitude Romain Rolland (in his *Musiciens d'autrefois)* offers the proper corrective: "If Lully has greatness, and merits a high place among the masters of art, it is not because he was a poet-musician, but rather a musician-architect." He calculated vivid and telling combinations of the high arts of the *Grand Siècle*. It takes a performance of this wit, stylistic *understanding*, and all-round distinction to make one realise just how vivid, how telling.

Atys (1676) was the fourth product of the great and enduring collaboration with Philippe Quinault — both William Christie (Les Arts Florissants musical director) and Jean-*Marie Villégier (producer)* have argued the excellence of Quinault's libretto (based on Ovid) as main reason for making *Atys* their particular choice of revival. (The later *Armide* may be instrumentally more subtle, but its tale is less tautly told.) *Atys* pleased Louis XIV so greatly that he *called for its revival, in 1678* and again in 1682; it became known as "l'opéra du Roy." It has been deemed an experimental chapter in the Lullian progression, since the comic subtexts of the earlier *Cadmus* and *Alceste* are pruned, and the tone of tragedy notably deepens—this marks the onset of what Villégier, in an illuminating programme essay, calls "le crépuscule de l'aristocratie," both in the life and the *art of the Sun King's realm* and court.

At its centre is the powerful figure of Cybèle, who, loves the mortal youth Atys (Attis), and make him her temple guardian; but he loves the nymph Sangaride. In jealousy the goddess drives Atys mad; in frenzy he murders Sangaride, *and then, recovering his wits,* kills himself in grief. The goddess, recognising the folly of her passion, closes the opera on a note as nearly Racinian as the *tragédie-lyrique* ever sounded. (There are links between Lully and Racine — the composer is said to have learned about writing French *recitative from the declamation* of the Racine actress Champmeslé — so it seems entirely natural that *Phèdre* should come a year after *Atys)*. And indeed, a Racinian central quartet—Cybèle, Atys, Sangaride, and Célénus (Sangaride's unloved fiancée)—are bound up in a dark, delicate web of emo*tional intrigue*, which *the* music renders not with Gluckian psychological intensity, but in fine, plain exactitude. Act 3 closes with an air of sad realisation for Cybèle, "Espoir si cher," which is the work's musical peak; earlier, one of the most famous of Lully's sleep scenes—*visitations sent by Cybèle to tell* Atys of her love and warn him not to spurn it— regales an atmosphere suffused with an extraordinary netherworld poetry. The dances are part of the drama. Each act reaches an effective "curtain." Because especial care had here been taken with the delivery of *French recitative, those normally* dry acres bloomed with dramatic sentience. Only the mythical Prologue seemed tailored to form—and even here the producer's wit managed to pin the attention to the stage.

Christie's orchestra is an admirably chosen collection of virtuosos, his edition *ideal in* "authentic" fidelity. By contrast the production, in Carlo Tommasi's magnificent sets and Patrice Cauchetier's splendid costumes, is not an accurate exercise in period revival but *a sort of stylistic resumé: the Grand Siècle* viewed from our time, conventions (including the *gestique baroque*) played with as well as played in. The single set, a vast, symmetrical Versailles chamber in black and *grey marble seamed with white* (silver-edged costumes to match, with only fantasy creatures in colour), supplies a wonderfully severe sense of proportion to the unfolding drama. And though here and there one may detect *faint* touches of Ponnelle-type send-up (in, for instance, the perruqued *choristers elbowing for places* at stage front), the lines of confluence between "period" and "modern" are organised with revelatory accomplishment.

Two sets of principals have been assembled for alternate shows; our cast on Friday contained, with one exception, none of the small, pallid voices too often heard on recent French Baroque records (including a few by Christie himself). Cybèle was Jennifer Smith: in an exotic head-dress she looked at first a little like Victoria as Empress of India, but on shedding *it developed* a grand, elegantly sung portrayal, pungently declaimed with moments of eloquent asperity. In the title role Howard Crook, a tenor new to me, was tender, courtly, fluent in madness, and true of voice. As Sangaride Ann Monoyios sang sweetly but too faintly and indeterminately; *Nicholas Rivenq was* a dark, commanding Célénus. Anglo-Saxon principals, all four! Jean Guizerix and Wilfride Piollet of the Paris Opera ballet led the dances by Francine Launcelot, all meshed into the drama with magical finesse.

The production is shared between Florence (where it *started life, as did Lully*—a nice touch), Paris (where it plays until February 6), and Montpellier (where it arrives in the second week of March). For those unable to make the pilgrimage, the forthcoming Harmonia *Mundi* recording by the same *forces* will prove at least a consolation. If all *composers' anniversaries were cele*brated in this way, there would never be heard a word against them!

Workshop 'Richard II'

The National Theatre has taken a workshop production of *Richard II* on a six-week tour *of American universities and* colleges, opening at the University of Michigan, ending next month and spending a week in each with programmes of demonstrations, workshops and discussions.

Journeys Among the Dead/Riverside

Martin Hoyle

This is one for the survivors of pseudo-intellectual Sixties chic. We that are young (and, with respect to *King Lear*, after an evening of the septuagenarian Ionesco we *feel* we have seen just as much and lived twice as long) will be reminded of countless student productions in our youth of theatre variously termed absurd or cruel. The distinguished French-domiciled playwright's 1982 piece might be labelled "theatre of fear" according to the script's blurb, which is apparently unaware that it is a supreme example of that common genre, the *théâtre de douleur au derrieère*.

First, two cheers for the enterprise. One for Springboard *Theatre Company who obviously* have courage, energy, memory and an endless supply of throat lozenges; and one for the sponsors, British Petroleum, backing an innovative young theatre group rather than (say) a royalty-netting opera production. The slightly dodgy play should not deter BP from sup*porting more Springboard work.*

One can imagine the Paris production of *Voyages chez les morts* under Roger Planchon quivering and strutting with rhetoric and a sense of occasion. In English it takes on a dogged earnestness that almost convinces us that there may be some substance beneath the ropey old symbolism, glints of absurdist humour, philosophical discussions and metaphysical conjecture, and a *surrealistic* approach to autobiography that incongruously recalls the function of Cocteau's cinematic farewell, *Le Testament d'Orphée*. And all in the awful inexorable garrulousness of Gaul.

This is Ionesco's dream-play. The narrator, Jean, wanders through a quest of guilt and longing, eternally seeking the mother who was abandoned by his father and excluded by his stepmother. *Identities* are superimposed, as in dreams—is this woman his wife, mother or sister? An authentic dream-like panic sometimes takes over: there is a station from which one train leaves where he can travel free. Which one? Where is it? There are flashes of humour, as in the bus queue of citizens with *their contradictory* remarks about the weather — rainy or sunny, depending on whether you are holding a parasol or an umbrella.

The serious side, philosophical or moral, is, alas, banal. Having been misinformed by a fringe theatre for the second day running as to a play's duration, I fled the Frankish flood in full frothing flow, but not before saluting the mammoth effort of Mark Sproston. His Jean was light, resilient and unflagging, not least when launching into an immense climactic monologue after two and three quarter hours. Barbara Wright's sturdy translation even manages some puns, while Henry Brown's two-level set, both formally imposing and claustrophobically hermetic, the lighting of Paul Kell and Tim Coucher, and Jonathan Podmore's music (violin, piano, bass clarinet) reach a level of *excellence that bodes well for* the company. Ionesco devotees will see the play, just for the record. Lovers of the absurd can stay home and re-read *Alice*.

The House of Bernarda Alba/Globe

Martin Hoyle

The Lyric Hammersmith production of Lorca's last tragedy has reached the West End. *Michael Coveney praised the* original last autumn. Certainly after the overrated *Blood Wedding* at the Edinburgh Festival it is good to see a Spanish director, the actress Nuria Espert, who can take this play's *similarly growing* intensity, its crescendo of portent and symbolism—the offstage pounding of the stallion to be put to the mares, salt spilt at table, the ill-augured engagement ring ("in my day pearls meant tears")—without grinding stylistic gear-changes. Aided by Robert David *Macdonald's straightforward* translation, the story unfolds naturally. Tension mounts through fine ensemble playing, some strong individual performances and the awareness, more Latin than Anglo-Saxon, of an implacable destiny working itself out.

Admittedly, problems remain. For an English audience this household of isolated and en*closed women who remember*, imagine, or long for men exudes the steamy miasma of Tennessee Williams's hothouse deep south. The trap is avoided by Ezio Frigerio's impressive set: courtyard walls soar up to an unseen *sky, sun-baked*, unyielding, impassive.

Above all, under Miss Espert's direction, the acting goes as far as the British stage can in evoking the emotional repression of Latin Catholicism and the grimly observed proprieties of peasant hierarchies. *As the household maid*, Joan Plowright uses a heavy, slightly swinging walk to conjure up Mediterranean woman, neither formidable dignity nor remembered sensuality effaced by years of drudgery. As the matriarch-gaoler to her five daughters, Glenda Jackson is too young. Raimrod-rigid, her voice harsh, the most passionately committed of our *actresses* tries to compensate with sheer intensity. Over-emphasis may explain the odd mis-stress ("*according* to you" instead of "according to *you*"), but the integrity and technical command are never in doubt.

Amanda Root, the pretty one of the brood, and Deborah Findlay, sour-faced and sickly, lust after the unseen suitor to their heiress half-sister. This is *Julie Legrand*, a gawky figure with the long mulish face of a Dutch doll, wistful resignation occasionally, desperately, radiated by hope; the production's most moving performance. Patricia Hayes lingers indelibly in the memory as a madly chattering grandmother who is quietened only with a sack over her head, much as a parrot's cage is covered.

Alastair Muir

Glenda Jackson, Joan Plowright and Julie Legrand

Arts news in brief...

Annette Morreau, who was *responsible* for setting up the Arts Council's Contemporary Music Network is to leave the Council this month to join Channel 4 as assistant editor, Arts. She joined the Council in 1969.

★

Andrew Vores, lecturer in composition at the City University, London, has won the sixth Ian Whyte Award, a £1,000 commission from the Scottish National Orchestra of a new work to be premiered in *February 1988, and which will* receive four concert performances and a BBC radio broadcast.

The award is made by private donors as tribute to Ian Whyte's *influence on contemporary arts* in Scotland where, in his capacity as chief conductor of the BBC Scottish Symphony Orchestra (1946-60) he did much to encourage young composers and conductors.

For the first time in five *years the Royal Court is taking* one of its productions on tour —*Road* by Jim Cartwright, which had a successful run last year.

After six weeks at the Court from January 22, *Road* will travel to Bradford, The Swan at Stratford, Bristol Old Vic and Newcastle.

The cast includes Susan Brown, Ian Dury and Mossie Smith.

Allegri Diversi/Sadler's Wells

Clement Crisp

Sadler's Wells Royal Ballet is *ending its 40th anniversary* season in high style. Thursday's final programming brought two creations for the company — David Bintley's *Allegri Diversi* and Jennifer Jackson's *One by Nine*—plus the happy acquisition of Frank Staff's *Peter and the Wolf*, and one of our national ballet's ancestral treasures, de Valois' *Checkmate*.

Mr Bintley's new piece is a charmer. For score he has turned to two very early Rossini works, little academic exercises of no mean grace for clarinet and chamber ensemble. Their musical propriety and youthful brilliance are matched by choreography for three couples that stresses classic nicety, quick fioriturí of step that catch the allegro brightness of Rossini's writing and the beguiling cantilena that presages the mature composer's vocal line.

In a beguiling setting by Terry Bartlett that evokes an Italian garden with its topiary and cypresses, a general dance for the ensemble gives way to some *dazzling variations (which* follow the musical form) for Sandra Madgwick and Iain Webb, Anne Little and Kevin O'Hare, who bounce and sparkle through the first part of the score. There follows what is in effect an extended pas de deux bristling with difficulties, which Karen *Donovan and Petter Jacobsson* bring off with splendid daring and entire aplomb. The cast are united for a final general dance, and we are left in a state of entire pleasure at this displav of buoyant technique and *youthful high spirits. The piece* is unaffected, open-hearted, smiling, and beautifully crafted by Mr Bintley.

Miss Jackson's *One by Nine* is rather more serious in intent. Deanna Petherbridge has produced a handsome set of a skeletal Greek temple, drawn in shades of dusty red. Against this Miss Jackson brings on the nine muses, and then introduces Joseph Cipolla as Apollo incarnating the artist's spirit. The *dance language* is Miss Jackson's development of a classic vocabulary through distortion and inversion, and it is not without interest, but *I found* the piece somehow inconclusive at a first viewing.

The action is well-planned in deploying the cast, but beyond supposing that Apollo is by turns goaded and provoked by his companions (whose costuming of pink dresses over shining grey tights is wildly unflattering) *I am unwilling to comment*: the final resolution of the artist's confrontation with his muses seems neither strong nor very purposeful.

Checkmate looked underpowered in this performance, a sad fact for a programme dedicated to the memory of Sir Robert Helpmann, that unforgettable first Red King of the production. The choreography is tougher, more muscularly alert and more meaningful in its attitudes than this cast could show us.

But *Peter and the Wolf* (first made for Ballet Rambert in 1940) has come up looking as fresh as the brightly painted new frontcloth that *Guy Sheppard* has given this staging. Frank Staff was a fine and witty choreographer, and the present revival by Elisabeth Schooling and Sally Gilmour has not missed a single joke or a single nuance of an adorable work. Christopher Gable was the excellent narrator; among a *strong cast mention must* be made of Marion Tait's merry Peter and of Stephen Wicks' blustering Huntsman. This is a most welcome addition to SWRB's repertory, not least because it reminds us of Frank Staff's true and memorable talent.

Sinfonietta Response

Andrew Clements

The initial stages of the third of the London Sinfonietta's "Response" weekends on the South Bank took a battering from the weather. Friday's concert, *the focus of the day's pro*gramme of workshops, masterclasses and foyer performances, was to have been attended by 400 students from Kent schools, who had been working with the Sinfonietta for several months on projects relating to the programme. But snow kept them at home, and the Elizabeth Hall was *therefore rather* sparsely populated for the appearance by the Sinfonietta Voices.

Birtwistle, Messiaen, Stockhausen and Xenakis, familiar Sinfonietta favourites all, were the featured composers for the weekend. All but Stockhausen were in residence for at least some of the events, and all were represented in the Voices programme. *Stimmung* was the *Stockhausen morsel, a* 25-minute chunk (not so bleeding; it can be parcelled up quite painlessly) from the six-voice nucleus of the chorus sung in English, which conferred a dubious comprehensibility upon the texts: all the resonances of the German works and syllables disappear, and one *is* left with their commonplace equivalents.

More intriguingly, 30 students from six colleges who had been working with the Sinfonietta singers on *Stimmung* had earlier given a massed-voice version of a 12-*minute section. Inevitably* some of the detail of the piece goes in its expansion, but the richness of the sound, and the vitality and wit with which it was presented, justified the enterprise ampuly. The remainder of the evening *left* the Voices in more or less unadulterated form. Messiaen's *Cinq Rechants* were an inevitable inclusion, but Birtwistle's *On the Sheer Threshold of the Night* and Xenakis's *Nuits* offered more rewards.

On the Sheer Threshold remains a beautifully sustained, immaculately articulated *a cappella* piece, mining one small vein of the Orpheus material that took on so many forms for Birtwistle other than the opera, and fashioning a miniature ritual drama all of its own. The Sinfonietta Voices controlled it splendidly: Sarah Leonard outstandingly took the high soprano line for Eudydice, while the high-density clusters of pitches that form its claimax were ringingly precise.

Nuits places very *different* demands upon singers. Almost 20 years on it seems a less extreme work than it did, and perhaps a more moving tribute to political prisoners because of that. One detail of the presentation here was a mistake: the searchlight roaming the auditorium to generate intensity was simply a distraction—there is more than enough drama implicit in the score.

★

The elaborate "Response" programme on Saturday was *crowned by a vintage Sinfoni*etta concert. Effectively symmetrical, it began and ended with Birtwistle pieces composed for the orchestra, and set two bright, flinty Messiaen mosaics in the middle. It made a slightly daunting sequence of hard-edged music, but it was exhilaratingly delivered—and *it* flattered the occasionally gentler subtleties of the last and best piece, Birtwistle's *Secret Theatre*.

All four pieces being Sinfonietta standards, it probably had the further advantage of leaving extra rehearsal time for the premières on Sunday. Not that the Saturday music sounded in any way scamped: on the contrary, under Diego Masson's direction it was all dazzlingly *precise, and the individual* players—all of whom had prominent and fearsome passages to execute—were sensational. The adjective isn't used lightly, for tingling colour and impact were prime requirements here. From the madly unanimous three xylophonists and starkly chorded brass in *Messiaen to the multi-voiced* "Cantus" line in Birtwistle's *Secret Theatre*, the feat assurance was breathtaking.

Paul Crossley was the central piano in Messiaen's *Oiseaux exotiques* and *Couleurs de la Cité Céleste*, sonorously exact and pointed, and able now to draw an expressive profile for the roulades and keyboard-stabs beyond what meets the eye in the score. That was a particular boon in Masson's rather fierce performances, which wielded so much manic fortissimo that real differences between *Oiseaux* and the *Couleurs*—the one eager and athletic, the other hieratic and loftily cool—were diminshed. The sprightly clarinets in *Oiseaux* were a disproportionate asset, and a tonic.

Silbury Air again sounded rich, tantalising and ingeniously fractured. I'm not really sure *Secret Theatre* is a "better" piece, but it is easier to get one's ears round. Previous performances of *Silbury Air have given more weight to* the strand of the music that suggests something ancient and immovable that Masson chose to do; it made less of an anchor, and the whole montage reeled more wildly. *Secret Theatre was marvellous, the unstable* balance between "Cantus" monody and churning "Continuum" background perfectly realised. Textures like shot-silk, like enamels, like Dubuffet "earths" and the eloquent *inventions of the lyrical line* given full dramatic power.

David Murray

LCDT to tour for five weeks

London Contemporary Dance Theatre will begin its 21st year in the spring with a five-week tour featuring two world premières — by Siobhan Davies and American Daniel Ezralow — and the British première of a new work by Robert Cohan.

Siobhan Davies' ballet, *Red Steps* will be *designed* by British painter Hugh O'Donnell and receives its first performance at Canterbury on February 19.

Daniel Ezralow's ballet will be performed two days earlier.

Robert Cohan's new work *Video-Life* will be performed in Oxford in March, with the score played by the composer, bassist Barry Guy.

Other works in the programmes include *Troy Game* by Robert North, *Moves* by Jerome Robbins, *Ceremony* and *Interrogations* by Robert Cohan, Sioghan Davies' *And Do They Do* and Christopher Bannerman's *Unfolding Field*.

After Canterbury and Oxford, the tour will go to Southampton, Glasgow and Aberdeen.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. *Exhibitions/Thursday. A selective guide to all the Arts* appears each Friday.

January 16–22

Music

LONDON

London Philharmonic, conducted by Christoph Eschenbach, with Tzimon Barto, piano. Brahms. Royal Festival Hall (Tue). (928 3191).

Fires of London, conducted by Peter Maxwell Davies, with Mary Thomas, mezzo-soprano; Michael Rippon, baritone. Maxwell Davies. Queen Elizabeth Hall (Tue). (928 3191).

Philippa Ibbotson, violin; Malcolm Martineau, piano. Brahms, Prokofiev, Mozart. Murcell Room (Tue). (928 3191).

London Philharmonic, conducted by Christoph Eschenbach. Wagner, Ravel and Schumann. Royal Festival Hall (Thur).

English Chamber Orchestra, conducted by Jeffrey Tate, with Thomas Allen, baritone. Mozart, Mahler and Schoenberg. Queen Elizabeth Hall (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Roland Kieft conducting the Netherlands Student Orchestra, with Marin Mars, violin: Breuker, Prokofiev, Tchaikovsky (Tue). Samyon Bychov conducting the Concertgebouw Orchestra, with Antonio Meneses, cello: Panuvnik, Haydn, Tchaikovsky (Wed, Thur). Recital Hall: Udo *Reinemann*, baritone, accompanied by Rudolf Jansen: Schubert (Mon). Peter Zazofsky, violin, and Alan Weiss, piano (Tue). The Amsterdam Harp Quintet: Pierné, Martinu, Villa-Lobos, Debussy, Jongen (Wed). (71 83 45).

Rotterdam, Doelen. Shlomo Mintz, violin, and Paul Ostrovski, piano: Mendelssohn, Schubert, Brahms (Tue). James Conlon *conducting the* Rotterdam Philharmonic, with Imogen Cooper, piano, and Roberta Alexander, soprano: Mozart, Mahler (Thur). *Recital Hall*: The Rotterdam Sinfonietta under Kees Hülsmann, with Jo Hagen, flute, and Charlotte Sprenkels, harp: Mozart (Mon). (414 29 11).

Utrecht, Vredenburg. The Shostakovich Quartet: Borodin, Schumann, Ravel (Tue). (31 45 44).

The Hague, Congresgebouw. The Netherlands Philharmonic conducted from the piano by Jean-Bernard *Pommier*: *Mozart, Schubert* (Mon). The Hague Philharmonic conducted by Aldo Ceccato, with Michele Campanella, piano: Rossini, Mozart, Tchaikovsky (Thur). (65 18 51).

Eindhoven, Globe Theatre. The Arouet Ensemble: Cima, Castello, Vivaldi, Telemann, Stamitz, C.P.E. Bach (Tue). (11 11 22).

Maastricht, Cultureel Centrum. Chamber recital by the Glinka Quartet (Wed). (21 33 00).

PARIS

Orchestre Colonne, conducted by Pierre Dervaux; Serge Stadler, violin: Bach, Beethoven, Brahms (Mon). Salle Pleyel (4561 0630).

Chamber *Music, 18th* century, Le Gaillard and Cohen, piano. Krebs, Mehul, Haydn, Mozart (Mon). Salle Gaveau (4563 2030).

Jorge Bolet recital: Chopin, Grieg, Liszt (Tue). Salle Pleyel (4561 0630).

Ensemble Orchestral de Paris, conducted by Emmanuel Krivine; Patrick Galois, *flute*: Zimmermann, Mozart, Schubert (Tue, Wed). Auditorium des Halles (4562 6757).

Orchestre de Paris, conducted by Lawrence Foster, Frank Peter Zimmermann, *violin: Enescu, Stravinsky*, Schumann (Wed, Thur). Salle Pleyel (4561 0630).

NEW YORK

Carnegie Hall: Czech Philharmonic. Vaclav Neumann conducting, Rudolf Firkusny, piano. Smetana, Martinu, Dvořák (Mon); Royal Philharmonic. Vladimir Ashkenazy conducting, Lynn Harrell, cello. Strauss, Rachmaninoff (Wed); Royal Philharmonic. Vladimir Ashkenazy conducting and piano soloist. Berlioz, Beethoven, Ravel (Thur). (247 7800).

Chamber Music Society of Lincoln Center (Alice Tully): Peter Serkin, piano, David Shifrin, clarinet, Ida Kavafian, violin. Wolpe, Schoenberg, Beethoven, Bach (Mon, Tue). *Lincoln Center (362 1911)*.

Julliard Concerts (IBM Gallery): Spontaneous Winds. Mozart, French romantic and ragtime music for woodwind trio. (Wed, 12.30 pm). 56th & Madison.

Music at the Crossroads (Whitney Museum Branch): Jazz pianists Marian McPartland and Muhal Richard Abrams kick off the third annual six-week season of free music, subtitled An American Sampler (Tue, 6 pm). Sculpture Court, Philip Morris Bldg, 42nd & Park.

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, *Uto Ughi* violin with the *Oratorio* Society of Washington directed by Robert Shafer. Haydn, Dvořák, Prokofiev (Tue); Edo de Waart conducting, Nigel Kennedy violin. Elgar, Bruch (Thur). Kennedy Center (254 3776).

Chamber Music Society of Lincoln Center (Concert Hall): Charles Wadsworth director. Wolpe, Beethoven, Bach. Schoenberg (Wed 7 pm). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Sir Georg Solti conducting, Itzhak Perlman violin. Mozart, Dvořák, Strauss, Ravel (Tue); Sir Georg Solti conducting, Larry Combs clarinet. Corigliano, Berlioz (Thur). (435 8111).

TOKYO

Yoshiko Kojima, piano. All-Mozart programme. Lutheran Ichigayo Centre (Mon). (044 954 0631).

Haruyo Kubo, piano. Ravel, Franck. Ishibashi Memorial Hall (Tue). (353 2242).

Xue Wei, violin, with Michio Kobayashi, piano. Mozart, Brahms: Chausson, R. Strauss, Ravel. Tokyo Bunka Kaikan Recital Hall (Wed). (449 8477/8451).

Traditional Japanese music: Koto, shamisen and shakuhachi programme of works by Sato, Kuniyama, and Mitsuzaki. Toho Seimei Hall (Wed). (716 8688).

Contemporary Japanese Music Festival. Ichiyanagi's Paganini Personal for marimba and piano (Mon); Hirose's Hymn (Tue); Kai group recital Christopher Blasdel, Shakuhachi bamboo flute, Mika Shinko Tokiwazu, shamisen lute; Brian Yamakoshi, koto harp; *Hiroko Tsuda*, piano; Mika Kimura, soprano (Wed). Sogetsu Hall, Aoyama Ichome (405 6115).

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Monday January 19 1987

Bad omen from Peking

THE RESIGNATION last Friday of Hu Yaobang as China's party boss, after several weeks of mysterious absence and official stonewalling, casts a shadow over all China's ambitious plans for reform and modernisation. Hu's departure shows beyond doubt that while Peking has begun to instal some of the trappings of a modern state, the crucial decisions are still taken behind closed doors after days of intrigue by a small group of powerful and mainly elderly leaders. Even for the economic reform, let alone for any reduction in the party stranglehold on Chinese life, this is a bad omen.

The impact on Hong Kong's confidence just as the new Governor, Sir David Wilson, takes over may also prove serious. Among the large international business community, the sudden appearance of instability in the Peking leadership is certain to raise questions about China's attitude to the territory during the run-up to the hand-over in 1997, and indeed thereafter. While Hong Kong Chinese businessmen have so far mainly been unconcerned about the December student demonstrations in China, they would see a threat to Peking's economic reforms as alarming. Hu Yaobang was not directly involved in running the economy, but his party contacts stretch through the Chinese bureaucracy.

Closed ranks

Mr Hu, who apparently was forced to resign for allowing "bourgeois liberalism" to continue unchecked till it led to the student demonstrations, remains on the key politbureau standing committee, but, after the recent publication of his errors, nationwide in China, is unlikely to retain much clout, and may be forced to retire completely at the forthcoming party congress in September.

China's supreme leader, Deng Xiaoping, has evidently closed ranks with party conservatives, demanding an end to talk of greater democracy, but his position as the inspiration for China's reform is bound to be weakened by the disgrace of his former lieutenant.

The long-term outlook for political stability is suddenly bleak. Hu Yaobang was, after all, earmarked by Deng as his successor, and the assumption was that, after Deng, the collective leadership led by Hu and the Premier, Zhao Ziyang, would be strong enough to keep China on the same moderate and modernising road. That assumption has proved inaccurate, and there is no sign of an alternative and secure succession.

For the moment, the cracks are papered over by the appointment of Premier Zhao as acting general secretary in Hu's place. Zhao, though no liberal, is an economic reformer, and his record in liberalising the old Maoist structures, such as the communes, is good. But there is no real sign that he, or indeed many others among China's senior leaders, recognise that a modern economy, and especially modern industry, require management skills quite different from those currently exerted by the Communist Party.

Much of the debate over political reform this year focused not on free speech or elections but, more essentially for the moment, on the need for the party to withdraw from management. The fact that it is now unlikely to do so is a bad sign for the economic reform.

Indirect damage

There will be other indirect damage. Although Chinese officials say the economic reform will be unaffected, it is inevitable that local managers will feel less free to take the bold decisions which such reform requires. Local party officials, usually conservative since the traditional party system gives them perks and privileges, will sigh with relief and keep to their bad old ways. No matter how much encouragement Peking now gives to the writers and scholars it so badly needs to produce an atmosphere in which innovation can flourish, no intellectual is likely to raise his head above the parapet now that hard-liners in Peking have again shown they will rebuff anyone who gets too far in front.

The Western world, just becoming used to a seemingly stable China under Deng Xiaoping, may after all have to review its preconceptions.

Too many carrots for Japan

JAPANESE investment in Europe has turned out to be more of a gift horse than a Trojan one. Yet, largely because governments have used the stick of real or threatened import restrictions and the carrot of start-up subsidies to bring in the beast the "quality" of Japanese investment so far has been disappointing.

Forcing Japanese companies to set up shop in Europe for political reasons is one thing. Getting the quality—in terms of technology transfer, job creation and local content—is another. The EEC Commission is nevertheless taking a further step in this direction by considering whether to extend anti-dumping duties to imported components of products already subject to such duties. Closing this loophole is designed to discourage Japanese multinationals from building more low value-added assembly, or "screwdriver," plants.

The proposal has prompted an uncharacteristically stiff letter of protest from the Japanese business confederation, the Keidanren, to say that future investment in Europe could suffer. Whether the letter should be seen as a warning or a threat, the uncomfortable fact is that Europe is for many Japanese companies very much a third choice of location after North America and South-East Asia.

The stick of diplomatic or administrative pressure has worked in the past, to the extent that it has forced the reticent Japanese to go abroad and learn how to live and work in alien cultures. They in turn have re-educated western managers in the arts of production engineering, quality control and industrial relations. .

Bidding contest

Likewise, the carrot of generous subsidies has been justified by the job security that Japanese investment brings to regions of high unemployment. In Britain, for example, Hitachi justified the faith of its sponsors last week by announcing a further £7m investment in South Wales to build microwave ovens. In the same week the Midlands new town of Telford, where unemployment is at nearly 20 per cent, landed a £38m manufacturing investment by NEC Corporation, the Japanese electronics giant.

Yet the present contradictory combination of incentives is a poor way of guaranteeing that Europe will get its fair share of commercially-sound Japanese investment. The bidding contest between European nations—and within nations—is wasteful. For every winner in these beauty contests there have to be several losers; and only in very few cases are cash or fiscal subsidies the deciding factor.

The contests may be due to an exaggerated notion of the value of Japanese, or indeed any foreign investment. In the last resort, however, much has been spent on winning the prize, the investor may one day be forced to pull out, as Caterpillar of the US was forced to pull out of Scotland last week. That was a heavy blow, but no heavier than if a British company had made a similar decision.

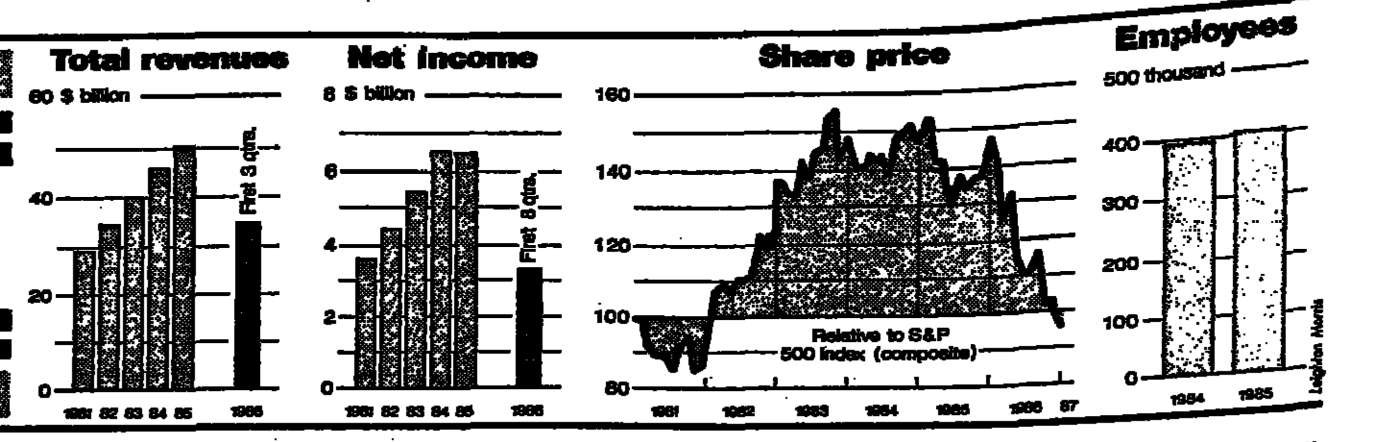
The EEC Commission will undoubtedly want to maintain the pressure on Japan to convert trade into investment, not least because of the recent diversion of its exports from the US into European markets.

Investment incentives

But it should now look again at intra-EEC incentive contests, whose justification gets ever weaker. The high yen will force still more Japanese companies abroad, in spite of rising unemployment at home. Cost competition will bring manufacturing closer to the point of sale. The same cost pressures will compel companies to buy their components locally when they can. Japan's huge export revenues will have to find an investment home — not just in manufacturing, but in services and property too. The Japanese may add industrial mergers and takeovers to their investment repertoire.

The Commission may find it is unable to get a grip on inward investment incentives for reasons of national sovereignty and regional autonomy, let alone the problem of defining what an illegitimate subsidy is. In that case, member governments at least should be reminded that the best incentive for a Japanese investor, like any other, is his commercial opportunity — for instance, the prospect of a single market of the sort he knows he will find in the US and Canada.

Money now spent on artificial attractions would in nearly all cases be better spent on providing the things investors really need, like skilled workers, professional managers and good communications. That, in the end, is the way to get both quality and quantity.



Big Blue ready to hunt with the pack

By Guy de Jonquieres

READERS of the Christmas and New Year issue of "Think," the house magazine of International Business Machines, should not be misled by the jolly snow scene on the cover into thinking that the contents offer much in the way of comfort and joy.

The message inside from Mr John Akers, IBM's 51-year-old chairman and chief executive, is uncompromising. It stresses personal sacrifices for the good of the company, the need to be impatient with the ordinary and to "get it done right now." Yielding briefly to the spirit of the season, he concludes: "I urge you to take the time during the holidays to enjoy yourselves."

Exhortations to try harder are nothing new to the impressively well-disciplined workforce of the world's largest computer maker. Rarely in its recent history, however, has IBM had to appeal for more blood, sweat and tears than today, as it struggles to escape from a prolonged slowdown in sales and profits which has left it looking unexpectedly vulnerable.

Not long ago, IBM was widely regarded as almost immune to recession. But a string of disappointing quarterly results has led Wall Street to wipe nearly $25bn off its market value in the past 12 months, and this week IBM is expected to announce a drop in full-year profits for the second year in succession.

Hard times have brought painful surgery. Though IBM says it remains committed to avoiding redundancies, about 12,000 of its 242,000 employees in the US are being encouraged to take early retirement by the middle of this year, and many others overseas are also due to go. Mr Akers says still further worldwide cost cutting will be needed.

Top management has been shaken up and thousands of staff are being redeployed from headquarters, product divisions and manufacturing into sales and customer support. Right across the company, IBM is wrestling with the levers and twiddling the knobs in a furious effort to programme itself for renewed growth.

Seldom has any company of its size suffered quite so sudden and brutal a reverse in its fortunes. Until two years ago, IBM was, in the words of a former chairman, "firing on all 12 cylinders." Carried forward on a powerful surge of growth, it almost doubled its net income and revenues between 1980 and 1984.

A brilliantly-managed entrée into personal computers, a forceful reassertion of its pre-eminence over Japanese competitors in large mainframe systems and ambitious thrusts into promising markets such as telecommunications all conspired to give IBM a golden aura of invincibility. For four successive years until this year, readers of Fortune, the US business magazine, voted it America's most admired company.

The good times were so good, indeed, that IBM began to believe they would go on forever. Mesmerised by their own success, top managers talked boldly of annual sales of $100bn by 1990. As Mr Paul Rizzo, its vice chairman, admits stoically today: "Large organisations have a high propensity to build up momentum. Sometimes we think we have discovered the secret magic of the world and everything is going well. So we over-expanded."

IBM has backed its gamble on growth by spending some $20bn in the past five years on capital investment—much of it to build vast, highly-automated mass-production plants—and by increasing its worldwide staff by more than 60,000 to just over 400,000 since 1980. An ambitious diversification strategy led it to take stakes in Intel, a big US chipmaker, and Rolm, a leading private telephone exchange supplier, and to help set up Satellite Business Systems, an advanced business communications service from which it has since withdrawn.

By its own admission, IBM was quite unprepared for the severity of the downturn which struck the US computer market in 1985 and is now spreading to western Europe. To be fair, it was not alone. The US industry is now in the throes of major restructuring which has sent established manufacturers including Burroughs, Sperry and Honeywell scurrying for merger partners and driven many smaller and younger hi-tech companies to the wall.

IBM faces adversity from a position of still formidable strength. The world's most profitable company, with the biggest stock market capitalisation and an immensely strong balance sheet, it possesses a tightly-integrated global network of subsidiaries, an almost unshakeable grip on the mainframe computer market, a tightly-run management organisation and a highly-trained and committed staff.

However, it is also burdened with challenges equal to its size. "Their very success is now working against them," says Mr Bill Michaels of Booz, Allen and Hamilton, the New York management consultants. "They have the toughest internal management problem of any company I can think of."

Headlong expansion created a structure which needs sustained volume and growth to be economic. Many of IBM's new factories were designed to operate efficiently only at high output, while a rapid shift from equipment rentals to outright sales as the mainstay of its revenues has eliminated a dependable stream of income and tied its performance much more closely to fluctuations in new orders.

Mr Frank Metz, IBM's chief financial officer, says cost-cutting has lowered its breakeven point by 4 to 6 per cent in the past two years. But its dogged commitment to avoiding compulsory lay-offs limits the scope for really drastic action. As a consequence IBM, with 70 per cent of its expenditure related to personnel, is locked into much higher fixed costs than most of its US competitors.

Most industry analysts think a return to stronger economic growth and capital spending in the US could do a lot to get IBM moving again. But Mr Akers is counting on no help from that quarter this year. "What I think this management needs to do is manage our business as prudently and as cautiously as we possibly can," he says.

So it will be up to IBM to manufacture its own growth for the foreseeable future. It is pinning hopes on a planned blitz of new product launches this year and a far-reaching internal shake-up.

Mr Akers, a marketing man who became chairman last March, admits that weaknesses in IBM's product line are to blame for some of its problems. "With the exception of large computer systems, our product cycle has not been as strong as it might have been," he says. Indeed, even mainframes, which provide an estimated 40 per cent of IBM's total revenues and as much as two thirds of its profits, have had their share of problems.

Sales of the 3090, its newest and biggest machine, have suffered because of delays in providing software needed to tap its extra performance. IBM says things have now improved. But a recent poll of 450 large IBM customers by Gartner, an industry consultancy, found they planned to buy only two-thirds as may 3090s this year as last.

At the bottom end, IBM's leadership in business personal computers (PCs) is being fiercely challenged by imitators, mainly from the Far East, selling "clone" machines which offer as much or more performance but at far lower prices.

IBM is expected to strike back soon with a high-end PC, containing proprietary features which the "clone-makers" would find hard to copy. Mr Allen Krowe, a senior vice president, says IBM wants to establish a six- to nine-month lead over its rivals. But the gambit is risky, since it depends on building into the machine innovations so compelling that customers would be prepared to pay a premium price for them.

Some analysts think IBM may also launch a low-cost model. While that might win back market share from the "clone-makers," at least temporarily, it is is doubtful whether it would achieve the high levels of profitability which IBM regards as acceptable.

IBM's most widely-publicised weakness is in the mid-range, where it has been thrown on to the defensive by the resurgence of Digital Equipment (DEC), the second largest US computer maker. While it is unclear how far DEC's recent runaway success has been achieved at IBM's expense, it has shown the bigger company up as slow to spot an important new market trend.

DEC is the first big supplier to offer a unified product line, in which all the different models are designed to be connected to each other and to IBM products. This is a strong selling point for large customers who want to spread computing power across their organisations by tying minicomputers together in networks.

IBM's product range, by contrast, is a mish-mash of different system "architectures" and operating systems

IBM tried to unify its range in the early 1980s but gave up after spending an estimated $1bn. Stung by DEC's success, it is trying again. It plans to phase out several of its existing mid-range models and is launching a new minicomputer series, the 9370, which will use the same software as its largest mainframes.

That will still leave IBM with five separate architectures. To bridge the gaps between them, it is making a crash development effort to enable the same programmes to be used on any of its machines.

There are signs that these actions may have curbed customer defections, but they will take time to pay off fully.

Some IBM managers now agree that the company is paying the price for an excessively inward-looking attitude which ignored changes in the market. "In the 1970s, we migrated more towards a product view of the world. We got the cart before the horse, the product in front of the customer," says Mr Gerald Ebker, president of IBM's Federal Systems division. "We're trying to get back to basics now and say: 'Hey, what does the customer want?'"

To find out, IBM is reorganising its US marketing effort, shifting emphasis away from a centralised, product-based structure and trying to learn more about customers' businesses. It is moving 5,000 more people into its US branch offices this year and plans to increase the number of staff supporting its 600 largest US accounts by as much as 50 per cent.

It has also set up groups to explore emerging market opportunities, particularly in services and software, and is forging alliances with independent systems houses specialising in fields such as banking. In a recognition that interconnection between computers cuts both ways, it is even offering to link its equipment to other manufacturers'.

Customers say they have begun to notice a difference, though many think IBM still has a lot of catching up to do.

If sheer energy and force of numbers are all that is needed, few doubt that IBM has what it takes. After what Mr Akers calls an invigorating cold shower, the company seems set to emerge leaner, fitter and more competitive once the current slowdown ends.

However, the markets in which it operates are changing and becoming much more diverse. Mainframes, the fabulously profitable bedrock of IBM's commercial power, are a relatively mature business. The volume products where growth is fastest are becoming low-margin commodities, due to fierce competition which is shifting the search for value-added towards software and services. The collision of computing and telecommunications is creating massive technical challenges, to many of which no easy solutions yet exist.

To satisfy its voracious appetite for growth, IBM must increasingly thrust into new and unfamiliar market areas. In many of them, the risks are high and the company's huge size may not necessarily be an asset. To win future business, it will have to hunt more with the pack rather than, as was once the case, ride majestically above it.

That, in turn, will make IBM more sensitive to fluctuations in the industry cycle. As Mr Metz puts it: "We are going to see more volatility in our results. We'll have good years and less good years, and the swing from peak to trough will be larger than we've seen in the past." For IBM, the tribulations of the mid-1980s look like a turning point in more ways than one.

A second article about IBM will appear on the Technology Page later this week.

Men and Matters

Building for coalition

Into the rising debate on the future direction and style of Britain's building societies comes former merchant banker Benedict Thompson-McCausland, aged 48.

He is leaving the chief executive's chair at London Life Assurance Association after six years to divide his time between Bradford and London as chief executive of the National and Provincial Building Society.

Rather shying away from such a crude term as future "mergers" in the building society industry — and, of course shunning talk of anything as vulgar as "take-overs" —he gently suggests to me that there will be "a certain coalescing taking place in the industry."

Thompson-McCausland's cv starts with Eton, Trinity, Cambridge, and a rowing blue. Then to Coopers and Lybrand to become an accountant. He then spent 16 years merchant banking with Arbuthnot Latham, becoming deputy chairman.

I believe he will set some sort of a record by being the first top man in the building society movement who can take off on a sail-board from a standing start. Indeed, if there are any contenders for this record will they please send along a home movie of their prowess?

Greybeards in this office remember his father, Bank of England official Lucius Thompson-McCausland, whose name was attached to a famous report in the early 1960s about the international monetary system and liquidity. It was eventually subsumed by the then Chancellor, Reggie Maudling, into a report of his own.

"Of course it's a week out of date—do you know how long I've been on that damn train?"

Pink-handed

A reader reports an outbreak of what he calls Roseate Kleptomania.

He divides his railway journeys roughly equally between First Class and Second Class travel.

Last year his FT was stolen on three occasions when he left First Class compartments for a few moments.

He never suffered such a grievous loss while travelling Second Class.

Is this a case for a psychiatrist, a detective, or a financial analyst?

Woolly issue

It doesn't take a financial wizard to work out that most Eurobond market folk in London will have at least a couple of old Pierre Cardin cardigans to spare—even if reports of their salaries are sometimes greatly exaggerated.

During the perishing weather a number of Eurobankers have decided that now is the time to tap their surplus sartorial capacity.

The Bond Club of London—a jollification society best-known for its irreverent annual Financial Crimes—is underwriting a campaign together with the Salvation Army this week to pass on spare items of clothing to needy Londoners.

Unlike many of the bonds issued in the Eurobond market in recent months this project is sure to find genuine investor demand.

Political chill

What effect might the cold weather have on the fortunes of Mrs Thatcher's government in an election year?

The question is far from academic as Britain shivers, and most commentators bet on a 1987 election.

Usually, pre-election weather is seen mainly in terms of its positive influence: a hot summer producing a mellow climate for an autumn poll, or merry spring days in May or June.

However, the newly published Political Diary of Hugh Dalton, edited by Ben Pimlott of London University, (Jonathan Cape £40) contains a reminder that bad weather can also have a sharply negative impact.

Things were going fine for Chancellor Dalton and the Attlee Labour government until the big freeze-up of January-March 1947. Then, as Dalton's diary reveals, the economy ground to a halt.

On January 28 that year Big Ben struck once at midnight and then — because of the intense cold—fell silent.

Two days later Emanuel Shinwell, the minister for fuel and power, announced wide electricity cuts. Unemployment rose sharply. There was a big loss of production for export. And a sterling crisis followed, precipitating an emergency austerity budget at the year's end. The government never recovered its former standing.

Those who seek omens will have noticed that Big Ben stuck again in the cold last week.

In that bleak mid-winter 40 years ago Dalton wrote in his diary: "This is a complete thunderclap." Chancellor Lawson must be hoping for a quicker thaw this time than in the year Dalton called his *annus horrendus*.

Stiff gins

Visiting Washington during the past few days to put a human face on the simmering agricultural trade battle between the US and the EEC, Norman Burrough, chairman of the independent gin firm, James Burrough, has been meeting officials to plea for a settlement.

If no agreement is reached by the end of this month the US intends to slap a 200 per cent tariff on his Beefeater—the starting point of a good Dry Martini for millions of Americans.

Burrough does not put his faith in civil servants alone, however. He has launched an appeal to the average American's sense of fair play (and to all those gin-drinkers) by having his US agent take a full page advertisement in the Washington Post. It declares that: "After 200 years the US Government is finally getting back at the British tax that caused the Boston Tea Party. . . ."

Burrough, in a letter to Ronald Reagan, says his company would be hard-hit because he does half his world business in the US—in fact, he provides 43 per cent of all the British gin consumed there.

He was last seen heading east towards Brussels to "make a lot of noise," and try to prevent job losses among his 550 employees.

Corporate charm

It's back to work with a vengeance at American Express. "Gold Card users are getting a sweet and sour message with their monthly statement: "Wish you and your family a Happy New Year . . . Please ensure your remittance reaches us by 21/01/87."

Observer

FOREIGN AFFAIRS

Liberté, égalité, communauté

By Ian Davidson

PRESIDENT Francois Mitterrand came to London last Thursday to deliver a speech on the *future of* Europe, at the Royal Institute of International Affairs. The *occasion* was impressive, both as an event and as a performance; yet at the same time, it was also strangely bizarre and baroque.

The speech certainly did not lend itself to neat encapsulation —which may explain why some newspapers did not report it at all *the following* morning, while those that did gave rather diverse and patchy accounts. However, those who sat through the entire performance, which lasted nearly two hours, could scarcely have failed to be impressed both by his vision of a genuinely integrated and independent Europe, and by the scale, the sweep and the elegance of his discourse.

Nevertheless some of the British members of the audience may have been puzzled over how to identify, in the flood of Gallic rhetoric, the essential message and the purpose of the president's visit. Was it just to give an appealing resonance to a general aspiration which he has nursed, as he proudly told us, since the European congress at the Hague in 1948? Or was there a more specific objective? What, if it came to that, were his real reasons for delivering the speech in London, rather than in Bonn, Rome or Brussels?

Image of 18th century Europe's freedom of movement and community of culture

My main impression of the Mitterrand view of Europe is that it has three striking characteristics: it is unconditional, it is comprehensive—and it is undogmatic. What makes them striking is that they are not the characteristics you would naturally expect of a practising politician, least of all, perhaps, a French politician.

The natural tendency *of* British politicians is to downplay *the long-term significance* of the Community process and of British participation in it: we must, of course, get the Community to carry out its treaty obligations by removing all obstacles to internal trade, but no, this process will not have political implications.

President Mitterrand takes the opposite tack: not merely does he stress that the completion of the internal market by 1992 will require further integration in other areas, such as *social policy, but he speaks* without the least embarrassment of the long-term objective as being a European federation or confederation.

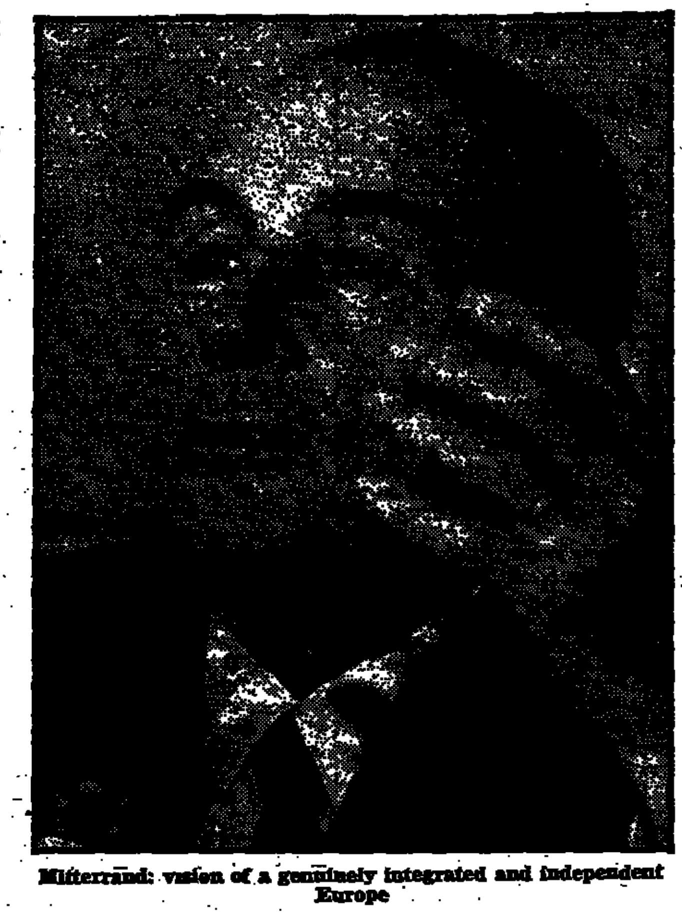
But when he discussed specific policies, his speech was entirely free from any trace of traditional Euro-dogmatism. For more than 20 years, the French have defended the Common Agricultural Policy as the keystone of the arch of the Community, which cannot therefore be touched. President Mitterrand concedes freely that *Europe's farm surpluses* are an abuse which must be reformed, partly through budgetary discipline; but at the same time Europe must decide what kind of farm policy it wants. Implication: it may, and perhaps *must*, be a significantly different policy from the one we have now.

What was missing from his speech was any adequate explanation of why his vision of a comprehensively integrated Europe should command the willing political support of 12 *Community governments*. The Founding Fathers did their best to avoid contentious questions about the long-term political destination of the Community by focusing the policy objectives mainly on the creation of a *customs union. But it is evident* that every successive step touches more insistently on the nerve of national sovereignty.

Anyone who urges a vision of an ever more united Europe has some obligation to provide a credible motivation. President Mitterrand's image of a metaphorical return to 18th century Europe's freedom of movement and *community of culture* and education is extremely seductive, and perhaps characteristic of a literary gentleman, but it is obviously insufficient.

Rather less explicit was his implication that the political purpose of the enterprise should be to restore Europe's relative strength and independence. Europe needs to compete with America and Japan; so it must fight all forms of protectionism. The European Monetary System is an island of relative stability; but it is threatened by the instability outside. Co-operation on *defence is a sine qua non* for a successful Europe, while a confederation would have to include a European Defence Community.

This seems to me to be closer to the heart of the problem. The *Founding* Fathers thought that one thing would lead insensibly to another and that the success of early steps would create a taste *for* more; Francois Duchene, academic and journalist, invented for Europe the concept of a "civilian power."



Mitterrand: vision of a genuinely integrated and independent Europe

But the hope of greater prosperity is unlikely to be a sufficient motor, because it will appeal more strongly to the poor than to the rich: the Germans have been among the least *enthusiastic to* liberate the internal market, because their prosperity depends least upon it. If there is to be any plausibility in President Mitterrand's larger vision, it must be because it appears to offer the best chance *of defending the* totality of Europe's interests, political as well as economic. That seems to imply that defence and security, the political issues par excellence, need to play a greater role if the European enterprise *is to* manage its internal squabbles.

This thought has been occurring with increasing intensity to many people since the election of Mr Ronald Reagan to the American presidency in 1980. The belligerent rhetoric of *the early years*, the Euro-missile crisis, the strategic *revolution implicit in the Star* Wars programme, the bombing raid *on* Libya, the second strategic revolution implicit in the Reykjavik summit — all these events have suggested that Europe may be over-dependent on the US. But since defence and security are even *more sensitive, politically*, than the harmonisation of turnover taxes or common standards for beer, and since the member states have different views on defence and security, it is hard to know how Europe can become *more self-reliant*.

In the past year or so, the *Institute Francais des Relations Internationales*, France's major foreign policy think-tank, has been conducting two parallel studies: on Franco-German defence co-operation, with Deutsche Gesellschaft fur Auswartige *Politik in Bonn, and on* Franco-British defence co-operation, with Chatham House in London. The first of these studies, "Le Couple Franco-Allemand et la Defense de l'Europe," has just appeared as a book.

What makes it peculiarly *interesting is the intensity* with which it highlights the divergence of defence doctrine between France and Germany. That divergence goes back 20 years, to the French decision to leave the integrated institutions of Nato; but *it is* symptomatic of the increased salience of the defence issue that it has now become acceptable to ventilate mutual reproaches which previously had to be bitten back.

In recent years, of course, the French have taken some steps *towards the Germans: the formation* of the Force d'Action Rapide, support for the deployment of Euro-missiles, more formal discussion of defence issues, the offer of consultation on the use of French tactical nuclear weapons. The evidence of this study suggests, however, that the *essence of the defence* differences between France and Germany remains as intractable as ever.

In the last resort, what the Germans want is an automatic French commitment to use conventional forces in the forward defence of *German territory*; but that is the one thing which *the French are not yet ready to* offer, because it implies a return *to* the integrated *institutions of* Nato and the renunciation of de Gaulle's pretensions to a nationally independent defence policy. Needless to say, this French refusal makes the Germans question the sincerity of other French moves to express defence solidarity.

This argument *is* not set in concrete, however: shifts in the *postures of the two superpowers* could change the name of the game quite radically. Over the past 20 years, the US has lost that nuclear superiority which made it possible for General de Gaulle to play at independence; *for this and other reasons*, the authors of the Franco-German study forecast that by the end of the century the US will have significantly reduced its commitment, *and specifically* its nuclear commitment, to the defence of Europe.

It is now acceptable to ventilate reproaches which used to be bitten back

If so, the defence of Europe will become more problematic and European self-reliance will become more necessary; but at least the Atlanticist-Gaullist argument between France and Germany will have lost most of its meaning. If these considerations were in President Mitterrand's mind last Thursday, he did not betray them; on the contrary, he was at pains to stress his commitment as a loyal ally of the US.

But perhaps serious discussion of Europe's long-term defence dilemma is, after all, best kept within the decent obscurity of an academic text, at least until governments are readier to make new arrangements and to renounce *old* obsessions.

Le Couple Franco-Allemand et la Defense de l'Europe: Karl Kaiser, Pierre Lellouche (Eds) IFRI, Editions Economica, Paris, FFr 175.

Lombard

World economy's black hole

By Samuel Brittan

THE WORLD'S currency turmoil reflects a conflict between the United States which wishes to improve its international competitive position faster than the main surplus countries, Japan and Germany, are willing to allow theirs to erode. In Britain a little local row is *erupting as the Labour Party* prepares to fight the election at least in part on a balance of payments alarm.

Few people nowadays expect the backroom boys of the world economy—those who prepare the statistics and economic analyses for the international institutions—*to have convincing* remedies for its problems. But at least they might refrain from making matters worse by publishing statistics which self-evidently err on the pessimistic side. The errors derive from the individual national statistics, but the international experts have a duty to eliminate inconsistencies which add to world problems.

What I have in mind is that as a matter of definition one country's *deficit is another's* surplus. Yet the sum total of world deficits and surpluses, estimated for instance by the OECD, is not zero as it should be, but almost *minus* \$80bn per annum.

This \$80bn gap is sometimes called the "balancing item" *and sometimes* errors and omissions. It consists of credits which the payments statisticians have been unable to allocate. In economic terms it is more like a black hole.

As the mind tends to boggle in the face of double digit billions, the size of this figure *can be appreciated* by comparison with the US current payments deficit, which is put by the OECD at \$135bn and \$140bn, both for 1986 and 1987. If all the errors and omissions were attributable to *the US—which is not impossible* in view of the dollar's role in world finance—the US payments deficit would come down to \$60bn, a level with which the US could easily live.

Even if half the unallocated credits *were attributed to* the US, that country's payments would be just below \$100bn—not very comfortable, but less of an incitement to frenetic cures which are worse than the disaster. The purely neutral procedure of allocating the unattributed sums to countries in proportion to their share in the *imports of industrial* countries would give the US about a quarter of the balancing item, or \$20bn—at least a useful *shaving of* the overseas deficit.

The UK now *accounts for* 8 per cent of the trade of the industrial countries. If it is allocated its share of the OECD balancing item on this basis, its current account improves by nearly \$6½bn. This is enough to turn the \$4½bn *UK* balance of payments forecast for 1987 by *the OECD into a small* surplus. In sterling terms the OECD's forecast deficit of £3.2bn—higher than the forecast of the British Treasury—is reduced by over £4bn and turned into a surplus of £1bn.

A cross-check can be made with the UK payments statistics. These show a huge balancing item, which in the last four quarters was positive by almost £6bn. Conventionally this is attributed to the capital account. The rule of thumb methods I have suggested for the *world* might lead to some £4bn being transferred to the current account.

Much more important, however, is the fact that the \$80bn black hole is a self-inflicted wound in the world political economy. If too many countries think they are in deficit, the result will be restrictive measures, not only in overall financial policy, but in trade policy—at a time when the semi-liberal system the world now enjoys is under threat.

The people whom Burke called "sophists, calculators and economists" could render one great service to mankind by *allocating the balancing item*. Statistical scruples are misplaced. *For when we know* that their present estimates are out by \$80bn in the wrong direction, *any* method of allocation, however arbitrary, will be an improvement on the existing figures.

This matter was first raised several years ago. We need new numbers before the legislators of the world break up for their summer vacation.

Letters to the Editor

Restrained spending

From Professor G. Jones and Mr T. Travers

Sir,—The chart in Samuel Brittan's Economic Viewpoint (January 15) *shows something* intriguing about the relative *constraints* on local and central government spending programmes since 1978-1979.

Each of the above-average "real terms" increases shown for individual programmes in the chart occurs in programmes controlled almost exclusively by central government departments. Of those spending below the average (in some cases involving real cuts) the vast majority of the programmes are under local government control.

This imbalance is emphasised by a table in the Treasury and Civil Service Select Committee's recent report on the Chancellor's autumn statement. The table shows percentage growth in public expenditure from 1978-1979 to 1985-1986 by major department:

Defence	4.3
Home Office	5.3
Education	−0.2
Health	2.4
Social Security	3.8
Employment	7.5
Transport	−1.4
Environment	−1.1
Housing	−7.1

Each service showing an increase is very largely controlled by central departments, *whereas reductions* have taken place in services (e.g. education, environment) where local authorities are responsible for expenditure.

While there may be demographic reasons to explain part *of the difference* between the achievements of local and central government, the figures show how restrained local authorities have been in contrast to their media *image of* irresponsibility.

(Professor) George Jones,
London School of Economics,
Tony Travers,
NE London Polytechnic,
c/o *Houghton Street, WC2.*

Consultants and clients

From the Managing Director, Inbucon Corporate Services.

Sir,—Lombard (January 13) is right to highlight the risks and confusion of loyalties when consultants take on a management role in client companies. Whether the involvement of consultants at *Guinness* is an example of this is not yet clear. But there is no doubt that most major consultancy firms in the UK, and their clients, know exactly on which side of the executive/advisory line they are working.

The increasing use of "outside" executives is a *separate* issue. In the view of most informed observers it is neither a dangerous practice nor the symptom of a disintegrating corporate structure. It is a constructive response to a rapidly changing business scene.

Few today would deny that corporate structures are changing. Companies seek minimum headcount but want flexible manning. The trend is towards a *minimum* "core" of permanent staff supplemented by outsiders — the contractors, agency staff, outworkers and now "temporary executives," often working at chief executive or board level. How else can a business keep its fixed costs down, respond quickly to new demands and new technologies and assemble the right mix of skills for each new challenge? Who can wait *six* months to find and recruit the new new chief executive to save a business or the scarce specialist who is needed to automate production or lead an urgent new project?

Ray Smith,
Bridge House,
Bridge Street,
Leatherhead, Surrey.

Power in Pakistan

From the Minister (Information), Embassy of Pakistan

Sir,—It is regretted that your correspondent Simon Henderson has built up his story "Pakistan bids for nuclear weapons graphite" (December 23) on wrong assumption and based it on a lot of misinformation.

The President and Prime Minister of Pakistan have both repeatedly announced that "Pakistan is not making a bomb, *is not in a position* of making a bomb and has no intention of making a bomb." Pakistan has not only made this commitment solemny but is prepared to accept international safeguards on non-discriminatory basis to prove its position. In spite of the above assurances, it is a pity that your correspondent continues to malign Pakistan with the production of nuclear weapons.

The *International* Atomic Energy Agency (IAEA), almost 10 years back, pointed out: "In terms of fossil fuel resources, Pakistan is one of the poorest countries in the world. The alternatives left are to rely more and more on nuclear power or imported oil. To meet the target of nuclear generation, an adequate supply of fuel must be assured." For meeting its power needs Pakistan set up the first nuclear power plant in 1972 near Karachi and now has supporting *facilities for nuclear* fuel cycle to keep the plant supplied with indigenous nuclear fuel.

It was Pakistan's anxiety to ensure an uninterrupted and adequate supply of fuel that prompted the setting up at Kahuta a research laboratory *for uranium enrichment* since natural uranium is found in Pakistan. At this Kahuta laboratory, it has been clarified time and again at the highest political level, that the modest exercise there for uranium enrichment is only on a research and development scale. Its purpose is to achieve a degree of self-reliance in the front end of the nuclear fuel cycle, ie, 3 per cent enrichment of uranium. Higher enrichment needed for non-peaceful uses is far beyond Kahuta's capability.

Raziuddin Shaikh.
35 Lowndes Square, SW1

Probably a wise message

From Dr R. Stone.

Sir, — An article on your back page of January 14 begins "President Raul Alfonsin of Argentina has sent a verbal message to *Mrs* Thatcher . . ."

It was probably wise of President Alfonsin to send a verbal rather than a non-verbal message: gestures, however conciliatory, are liable to be misunderstood.

Some linguistic fashions add to the richness of English; *others* make it sloppy. The increasing use of the word "verbal" when "oral" is meant falls into the latter category. I am sorry to see your newspaper adopting this usage.

(Dr) R. L. Stone,
17 Park View Road N3.

BTR bid for Pilkington

From Mr H. Parker

Sir,—Mr Andrew Campbell (January 13) states his view that the BTR *bid for Pilkington* Brothers should not be referred by the Office of Fair Trading to the Monopolies and Mergers Commission on the grounds that such a referral is only justified when the "public interest" is threatened, but that there is no such threat by his definition of the "public interest." Mr Campbell's definition *however* is somewhat legalistic, and in any case does not seem to me wholly relevant in the context of the BTR bid.

What I believe is more relevant is the national interest, and in that context Mr David Nickson—speaking in his capacity as president of the CBI in a meeting with Mr Paul Channon of the DTI—makes a far more cogent point. According to your report (January 14) Mr Nickson "urged the Government to take a more international view of business competition when deciding which mergers should go before the Monopolies and Mergers Commission."

Pilkington Brothers is certainly one of the most *successful, if not the most successful* British companies in terms of its competitiveness in world markets. Thanks to its technological leadership through the float glass process, and to its long-term international strategy, Pilkington today dominates the world markets for its products. There are very few British companies left which can make that claim.

BTR has unquestionably demonstrated great skill in improving the performance of companies like Thomas Tilling and Dunlop which it has acquired. Its methods for doing so are well known. But BTR is a conglomerate of many different businesses of which none is internationally competitive, in the sense that *Pilkington is. It therefore seems* unlikely that it could improve what is perhaps Pilkington's greatest strength. On the contrary, it is more likely that it would do things for short-term reasons which could have just the *opposite effect* on one of Britain's few remaining world-league winners. Surely this would not serve the national interest.

Hugh Parker
Albemarle International,
23 Albemarle Street W1.

Showing the gold card

From Mr C. Ward.

Sir, — *Not* being a man of such obvious affluence as my good friend, A. J. Horne, (January 5) I have a gold card from my bank for one simple reason. The bank charges I save are considerably higher than the £50 I pay for my gold card.

C. J. N. Ward,
Bacon House, Greatworth,
Nr Banbury, Oxon.

Filthy Rich and Catflap

From Mr J. Oakley

Sir, — As an appreciative viewer of Adrian Edmonson, Rik Mayall and Nigel Planer's various TV series, I must take issue with Christopher Dunkley's assertion (January 14) that their most appreciative audience will continue to be drunk teenagers.

Drunk, yes; but at age 40, I *do, however*, take exception to being identified with today's teenagers!

J. A. Oakley.
15 Thornbera Close,
Bishops Stortford, Herts.

FINANCIAL TIMES

Monday January 19 1987

Roderick Oram on Wall Street

Hutton pares The Problem

"IT'S MY money," says comedian Bill Cosby, one of America's favourite US television performers, as he explains in advertisements for E. F. Hutton why he cares so much about who handles his personal finances.

The brokerage house has had to work hard during the past 18 months to restore confidence in it in the wake of "The Problem," as staff call its scrape with the law. The firm paid a $2m fine in mid-1985 for a highly organised scheme of cheque kiting and bogus deposits.

It was an audacious abuse of bank overdrafts which netted Hutton hundreds of millions of dollars of interest-free working capital in one of the most widely publicised corporate crimes in the US.

The affair cruelly exposed Hutton's deficiencies, most particularly its ineffectual management structure. "They were just a happy band of warriors who went out there and sold stocks and bonds all day without management controls," a Wall Street analyst said.

Hutton tried to sort itself out with "the broadest re-organisation" in its 82-year history, hiring some senior managers from outside the firm and setting itself a clear strategy. Through these trying times, it has often been rumoured to be a takeover target. The latest in a string of suitors was American Express's Shearson Lehman brokerage subsidiary which tried to buy it last November.

After a two-day Hutton board meeting the takeover was scotched and Mr Robert Rittereiser, its president, was promoted to chief executive officer. Mr Robert Fomon, chief executive since 1970, was appointed chairman.

No sooner, however, had the new guard finally taken control, than Hutton sprang an unwelcome surprise. It announced that it was setting aside a $130m fourth-quarter reserve, mostly to indemnify clients for losses on an investment product which had been mis-represented by aggressive salesmen. The losses had been compounded by bad trading.

Was this highly unusual move to keep faith with customers a sign that the old Hutton had failed to fully mend its ways? Or was the new Hutton just stable cleaning? Almost certainly it was the latter since the badly handled product pre-dated even The Problem. An extensive review uncovered no other horrors, it says.

But the provision, which will have plunged Hutton into the red for 1986, reminded analysts' that Hutton's recuperation was slower than some of them had hoped. They believe that it is essential to the new Hutton's credibility that it proves itself this year to be a well-managed and profitable firm.

Top executives say they have three main tasks. First is to complete the beefing up of management. Of the nine-man management committee, four have been brought into the firm since the cheque scandal. Mr Rittereiser was one of the heirs apparent at Merrill Lynch where he earned a reputation for bringing order to chaos. Hutton is still looking for a few more senior people, particularly for corporate finance.

Secondly, it says it has to contain costs so more of its expanding turnover comes through to profits. Even without the latest provision, the fourth quarter would have been barely profitable despite the bull market surge in investor activity.

Perhaps the toughest test it faces is a revamping of commission schedules for its retail broking account executives. Competitors such as Merrill Lynch and Paine Webber have already moved away from uniform commissions to paying less for low profit lines and more for high profit investment products.

These changes are unpopular to make and Hutton has dragged its feet because most of its sales people have been loyal during the past 18 months of upheaval. Their attrition rate was never higher than that of the competition and in some areas is now considerably lower, Hutton says.

None the less, these costs are a drag on earnings so the firm has set itself a mid-year deadline to complete a review and begin implementing changes.

Elsewhere on costs, the firm has frozen hiring (with the exception of a few more key senior people) at a time when its competitors are still expanding their workforces by about 25 per cent a year.

The third task is the corporate strategy which was finalised just last week. This is essentially unchanged with the firm intending to remain a strongly retail-oriented full-line securities house.

If all goes according to plan, Hutton believes it can earn shareholders a return of between 10 per cent and 15 per cent on their money and keep them sufficiently satisfied enough to reduce the threat of a takeover.

BAe, Marconi win £90m Nato satellite contract

BY PETER MARSH IN LONDON

BRITISH AEROSPACE and Marconi, Britain's two leading satellite companies, have won a £90m ($135m) order from Nato to build two advanced military communications satellites.

The two companies won the order, which is due to be announced today, in the face of strong competition from General Electric of the US. Nato's five previous space vehicles were built in the US.

Britain's satellites are to be based on a design which has yet to see service in orbit, whereas the rival US vehicles were versions of models already in use by the US Defence Department.

According to a Nato official, the two designs were equally suitable technically, but the UK vehicles won because they were less expensive.

The order was won after strong lobbying over the past three years by the UK Defence Ministry and the two satellite companies.

At the end of last week, the ministry signed an agreement with Nato's Communications Information Systems Agency (Cisa) on the procurement of the two satellites. As a result of this agreement, the ministry is arranging for the two UK companies to build the spacecraft, the first of which will enter orbit in 1990.

The two satelites, known formally as the Nato-4 series, will be based on the design of three new UK military communications satellites, the Skynet-4 family. These three vehicles, due to provide communications links for UK armed forces, are to be launched over the next decade, the first of them next year on Ariane, the West European rocket.

The Defence Ministry and the two companies have argued that Nato should seriously consider European-built satellites as a sign that the continent's space industry has reached maturity. The first five Nato satellites, launched between 1976 and 1984, were built by Ford Aerospace of the US.

Providing solace for the US is that both Nato-4 satellites, the second of which should be launched in the mid 1990s, will be lifted into orbit on US space shuttles, for launch fees totalling about £70m.

Rises in UK earnings biased towards high-income brackets

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

INCREASES in earnings in Britain have been tilted in favour of the high-paid during the past seven years. The shift has been reinforced by changes in the structure of income tax and national insurance.

The latest official figures, provided by the Treasury, show that the inflation-adjusted earnings of an individual in the top 10 per cent increased at a rate nearly seven times greater than that for someone in the bottom 10 per cent.

During the same period – April 1979 to April 1986 – the high paid also saw their pre-tax and net salaries grow by about twice the rate of those in the middle of the incomes scale.

The statistics demonstrate that the sharp rise in unemployment since 1979 has had little impact on earnings growth at the upper end of the scale, but it has created flexibility at the bottom end of the labour market. Real earnings for the low-paid lagged behind the growth rate of the economy.

A concentration of the largest pay increases among the affluent explains why their share of the Inland Revenue's total income tax receipts has risen marginally since 1979. The Government has made political capital out of the trend, arguing that it indicates that Labour's plans to increase taxes on the rich would be counter-productive.

However, the latest figures imply that, had the tax regime of 1979 been maintained (with adjustments for inflation), then the highest-paid would be providing a larger share of total tax. The structure of the Government's tax changes, particularly cuts in the top rates, has offset the inherent progressivity of the tax system.

The tax burden on the top 10 per cent has, if anything, fallen slightly relative to their incomes since 1979. For the lowest paid, changes in income tax and national insurance have been broadly neutral, while those of average earnings are now paying proportionately more.

A single man at the starting point for the highest 10 per cent of earners saw his net earnings rise more than 23 per cent in the seven years to April 1986. A single man in the bottom 10 per cent received an increase of 3.5 per cent.

Mr Nigel Lawson, the Chancellor of the Exchequer, acknowledged that the more affluent had done better than people lower down the scale in a recent interview with the FT. He argued, however, that the trend had been necessary because in 1979 earnings in Britain were among the most compressed in the industrialised world. He said that all income groups had experienced a real increase in pay since 1979.

Mr Lawson hinted that a further reduction in the highest rates of tax as well as in the basic rate was now high on his list of priorities.

Details Page 6

Western Union opts for Milken restructure plan

BY ANATOLE KALETSKY IN NEW YORK

WESTERN UNION, the heavily indebted US telecommunications company which has recently been seeking ways to avoid bankruptcy, has decided to proceed with a financial restructuring plan backed by a partnership involving Mr Michael Milken, the secretive and influential head of "junk bond" trading at Drexel Burnham Lambert.

In opting for the Milken plan, Western Union rejected an alternative offer from an investor group headed by Resource Holdings, a partnership involving Mr Harold Geneen, the former chairman of ITT.

Under the Milken restructuring plan, Western Union will sell 40 per cent of its equity for $250m to MDC Holding, a Denver-based housebuilder, and Pacific Assets Holdings, a private investment firm in which Mr Milken is a partner. Mr Milken, through Drexel's junk-bond operation, played a key role in providing Western Union with financing in the past.

The 31 banks which are owed $273m by Western Union will accept a substantial reduction in the company's obligations. The loans will be repaid at 68 per cent of face value in cash or at 75 per cent in a combination of cash and common stock.

Western Union said on Friday night that agreement had been reached with its creditors on the new arrangement.

Chinese act on reform

Continued from Page 1

ed for inciting students to protest last month.

Yu Chunyan, from the coastal city of Quingdao, was arrested on Saturday for writing counter-revolutionary letters to students in several cities, and for forming a 'counter-revolutionary organisation' called the "New National Social Democratic Party."

Diplomats suspect that dozens of other similar arrests have been made but not reported.

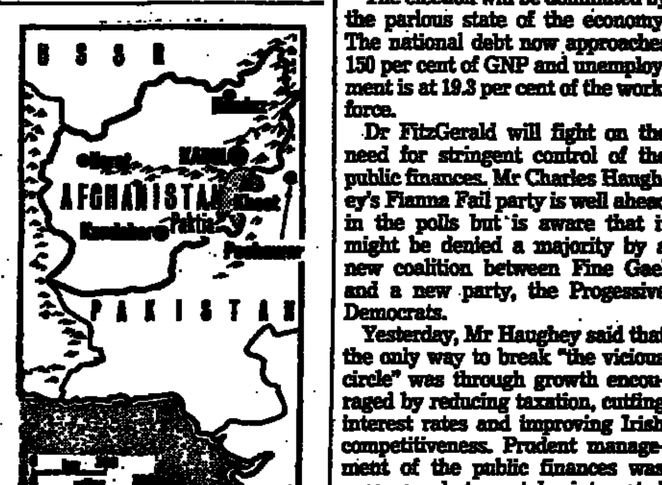
Speculation continued on the likely replacement for Zhao Ziyang as premier, with the favourite being the Soviet-educated Vice-Premier, Li Peng, 58, who was adopted by the former Chinese premier Zhou Enlai and has known Deng Xiaoping, the paramount Chinese leader, since childhood. The mayor of Tianjin, Li Ruihuan, is another fancied candidate.

Li Peng is known to support economic reform, but, like Mr Zhao, he is less enthusiastic about the political reforms that apparently contributed greatly to the fall of Hu Yaobang. Mr Li yesterday accused "some people" of inciting academics against the Communist Party by suggesting that they are targets of the drive against "bourgeois liberals": "This is sheer slander and calumny." Two academics and two writers have been punished in the past week for "bourgeois liberalism."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	C	11	52	Malta	R	11	52	Rhodes	S	20	68
Algiers	C	13	55	Edinburgh	R	1	34	Manchester	C	-1	30	Rio de J'o	C	35	97
Amsterdam	S	-6	21	Faro	S	12	54	Manila	S	30	86	Rome	S	13	55
Athens	F	15	59	Florence	F	8	46	Melbourne	S	25	77	Salzburg	C	-3	27
Bahrain	S	20	68	Frankfurt	C	-7	19	Mexico City	S	25	77	San Francisco	F	4	39
Bangkok	S	32	90	Funchal	F	17	63	Miami	S	23	73	Seoul	C	-1	30
Barcelona	S	7	45	Geneva	C	-3	27	Milan	F	5	41	Singapore	S	30	86
Beirut	–	–	–	Gibraltar	S	12	54	Montreal	C	-15	5	Stockholm	C	-8	18
Belfast	R	6	43	Glasgow	D	1	34	Moscow	C	-6	21	Strasbourg	C	-4	25
Belgrade	C	0	32	Guernsey	C	-3	27	Munich	Sn	-5	23	Sydney	F	26	79
Berlin	C	-8	18	Helsinki	C	-4	25	Nairobi	F	24	75	Taipei	S	23	73
Biarritz	C	-4	25	H. Kong	F	19	66	Naples	S	13	55	Tangier	–	–	–
Bombay	S	31	88	Innsbruck	C	-7	19	Nassau	S	28	82	Tel Aviv	S	29	84
Bordeaux	C	-7	19	Inverness	S	4	39	New Delhi	C	11	52	Tenerife	S	21	70
Brussels	Sn	-4	25	Isle of Man	F	3	37	New York	F	-1	31	Tokyo	S	18	66
Budapest	R	2	36	Istanbul	C	7	45	Nice	C	12	54	Toronto	Sn	-3	27
B. Aires	S	32	90	Jakarta	C	31	88	Nicosia	–	–	–	Tunis	R	10	50
Cairo	S	28	82	Jersey	C	-4	25	Oporto	S	8	46	Valencia	S	11	52
Cape Town	S	22	72	Jo'burg	S	26	79	Oslo	Sn	-10	14	Venice	F	5	41
Caracas	S	26	79	Lima	S	26	79	Paris	C	-4	24	Vienna	Sn	-6	21
Casablanca	–	–	–	Lisbon	S	8	46	Peking	F	6	43	Warsaw	F	-12	10
Chicago	Sn	-4	25	London	Sn	-2	28	Prague	Sn	-8	18	Washington	R	0	32
Cologne	C	-4	25	Los Angeles	F	6	43	Reykjavik	C	1	34	Zurich	Sn	-4	25
Copenhagen	C	-2	28	Luxembourg	C	-7	19								
Corfu	R	11	52	Madrid	S	3	37								
Dallas	–	–	–	Majorca	S	11	52								
Dublin	R	6	43	Malaga	S	12	55								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder



Afghan rebels spurn ceasefire

Continued from Page 1

naki post had been hit with Mujahideen shells.

At 9.20, later than usual, the Soviet guns replied, firing howitzer shells over our heads at the Jahadwal base and at Mani Kandou forward base which we had just left. There an Afghan soldier, who had defected and become a Mujahideen cook, was killed by a piece of flying shrapnel.

From the plain between our hill post and a distant white mountain range of Spinghar, Soviet howitzers and tanks moved into position, many out of range of Mujahideen guns. The battle continued for several hours, with Soviet shells falling near our hilltop and other Mujahideen gun posts. No Soviet equipment wAS visibly destroyed but the Mujahideen scored several hits on nearby targets. The Mujahideen admitted no casualties.

At 1pm the commander left the post to lead prayers of the resistance fighters who laid their Kalashnikov and old British .303 rifles on the ground in front of them. Lunch was ox stew, nan (flat white bread), and green tea.

Three hours later, Soviet jets swept overhead, dropping flares to mark the supply route along which we were walking back to the base. They were followed by bombers which attacked our path, staying at a high level to avoid the Mujahideen's mountain-top Ziguak anti-aircraft guns. Some Mujahideen, who had been huddled round open fires, shrank against the mountainsides and retreated in to numerous deep storage caverns to escape the attack. No casualties were reported.

"You have seen today that we need better and longer range equipment from the West, then we could even hit the city of Khost," said Coimmander Faiz. "But God is on our side."

Dublin coalition facing crucial decision

By Hugh Carnegy in Dublin

THE FATE of Ireland's Fine Gael-Labour coalition, which has clung to power for several months after falling into a parliamentary minority, will be decided at a Cabinet meeting tomorrow when it will be asked to make a final decision on this year's public spending programme.

Labour's four ministers led by Mr Dick Spring, the Deputy Prime Minister, will vote against their 11 Fine Gael colleagues if Dr Garret FitzGerald, the Prime Minister, insists on a range of social welfare cuts and new health service charges proposed to help redress substantial overruns last year on the current budget deficit and state borrowing.

Disagreement would mean a Labour withdrawal from Government. Dr FitzGerald would then almost certainly seek a dissolution of parliament later in the week with a general election to follow in mid-February.

A decision must be reached tomorrow because the Government has a statutory requirement to produce a book of estimates outlining individual department spending for 1987 by Wednesday.

If agreement is not reached in Cabinet as seems the likely outcome, Fine Gael will continue as a minority one party Government until the election producing the estimates on its own accounts.

A split in the coalition has been on the cards since last autumn, when the Government committed itself to a budget deficit target this year equivalent to 7.4 per cent of GNP and Exchequer borrowing of 11.8 per cent. The 1986 outturn saw the deficit well over 8 per cent and borrowing over 13 per cent of GNP.

This left the coalition no alternative but to impose heavy spending cuts in the budget originally due on January 28, cuts which Labour was always likely to find difficult to accept.

The election will be dominated by the parlous state of the economy. The national debt now approaches 150 per cent of GNP and unemployment is at 19.3 per cent of the workforce.

Dr FitzGerald will fight on the need for stringent control of the public finances. Mr Charles Haughey's Fianna Fail party is well ahead in the polls but is aware that it might be denied a majority by a new coalition between Fine Gael and a new party, the Progessive Democrats.

Yesterday, Mr Haughey said that the only way to break "the vicious circle" was through growth encouraged by reducing taxation, cutting interest rates and improving Irish competitiveness. Prudent management of the public finances was necessary but must be integrated with a policy of economic development.

In a radio interview, Mr Haughey said a Fianna Fail Government would not interfere with any progress being made under the Anglo-Irish agreement which he said would be an essential part of Anglo-Irish relations.

US chides trade partners on growth

Continued from Page 1

1986 growth target has intensified Washington's concerns that "an (economic) slowdown in Germay could come sooner in 1987 and be worse" than the US currently fears.

He also said Washington was "very disappointed" in the Japanese Government's proposed budget for 1987, saying that it was not in line with what the US sees as the economic policy understanding it reached with Japan last year under an accord to try and stabilise the yen/dollar exchange rate. "The Japanese budget is uninteresting, not stimulative. It strays from the US-Japan agreement," the official said.

Asked if the group of five (G5) major industrial countries were preparing to meet to try and resolve their economic policy dispute the official said: "There is no present plan to have a G5 meeting."

Since last summer, the Reagan Administration has been arguing that currency adjustments alone (official code for a dollar devaluation) are not a satisfactory mechanism for reducing the US trade deficit. It has urged that to avoid this, America's industrial country trading partners (West Germany and Japan in particular) should place greater emphasis on economic growth to improve US export prospects. (The option of a US recession as a mechanism for reducing the US trade deficit is rejected on all sides.)

THE LEX COLUMN

Scandinavian cocktail

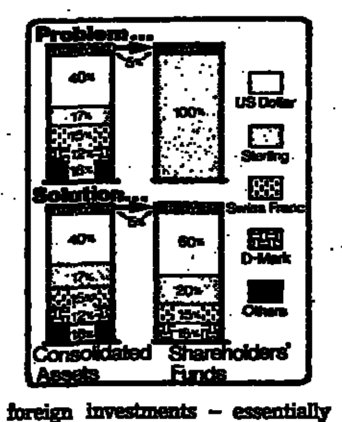
They believed it was impossible; but they were wrong. For years it was the orthodox opinion that UK companies had to have their equity capital in a single currency, preferably sterling. With the decision to allow Scandinavian Bank a cocktail of equity in four currencies, followed by confirmation that Manufacturers Hanover and Merrill Lynch could recapitalise their UK companies in dollars, orthodoxy – supported on venerable stacks of legal opinion – has been overturned. For banking groups, particularly, a few changes to some small print in their articles could make a considerable splash in more than one international market. But the ripples may also spread beyond banking.

To see why, look at the straitjacket that existed until last week. Because the ability of banks to grow their risk assets is officially limited to a set multiple of their capital base, in order to stop them becoming over-extended, life in a bank can become very uncomfortable if the base refuses to keep pace with the demands of the business. For banks whose equity is denominated in a depreciating currency like sterling or, more recently, the dollar, the capital base tends to shrink just by sitting there. If they fail to run down the non-sterling asset side of their balance sheets – never mind continuing to grow the business – capital ratios crumble. And that leads either to a heavy session with the regulators or a call on shareholders.

Hedging

This was a dilemma that Scandinavian Bank had got used to confronting, year by year, resolving it by a series of sterling-denominated rights issues that its Nordic shareholders must have found increasingly tedious. The logical solution to this annoying structural problem was obvious: put the equity base into a mix of currencies that roughly matched the distribution of assets, and any exchange-rate induced growth in the sterling value of the assets should automatically be mirrored in growth of the equity base.

The logic was not particularly new, since it merely turned on its head the standard practice of the banks' industrial customers, who hedge the exchange risk in their



foreign investments – essentially non-sterling net worth – by taking on matching amounts of debt in the currencies where the investment is made. Banks had, of course, widely considered the matching of currency assets by currency capital, only to be deterred by the reading of company law which said that it could not be done, as equity denominated in dollars, for example, could not be converted into sterling of a known and fixed amount. Creditors of the company, it was said, could not know what ultimate security their claims rested upon, as the equity fluctuated in its sterling value.

On such grounds as these, and as recently as last September, National Westminster was to be seen selling sterling equity in New York, presumably to provide the base from which to expand its US business, and dollar assets. NatWest's legal advice was apparently that dollar shares could not be satisfactorily added to the equity it already had in sterling.

Archaism

The judges have now decided that this hallowed interpretation was based on a piece of conceptual archaism, namely, seeing the requirement for accounts to be stated in a single currency as involving a need for the equity to be convertible, at all times, into a fixed amount of that currency. Now that the court has decided that translation into the currency of account is what matters, so long as the paid-in capital is in fixed amounts of the currencies chosen. It is only a Companies Act frill that some companies, those with a plc handle to their name, must still include £50,000 of sterling.

The advantages to Scandinavian Bank of its unique multi-currency base should be significant. By avoiding the periodic crunch in its capital ratios, the regular rights issues can be avoided; only genuine business growth (or the repair of real mistakes) now needs to be financed by the shareholders, while the shareholders' investment is automatically stripped of the greater part of its currency risk.

Planning

And since Scandinavian knows in advance that the depreciation of sterling is not going to result in a capital shortage, it is possible to plan the lending programme as part of the annual budgeting cycle – rather than hurriedly shut off the bank's D-Mark lending every time there is a sterling wobble.

It may be difficult for the clearing banks to follow suit, however much they may wish to. For banks with more than Scandinavian's handful of shareholders, which are themselves banks, it might be too difficult to push through the same sort of capital reorganisation. And with their much larger capital base, the clearers would take years to diversify their equity by simply raising successive new tranches in dollars and yen.

So it is quite on the cards that the most serious imitators of Scandinavian banks – outside other foreign-owned banks in London – may be the international companies among the banks' customers.

For the multi-currency equity base provides a structural means of taking translation risk out of a balance sheet; and so long as it does not prove prohibitively expensive to implement the necessary schemes, should therefore seem more attractive than the existing panoply of hedging transactions.

Internationally diversified UK companies could therefore reduce their gross debt to a figure nearer the level which is actually required for financing assets. And although Scandinavian may temporarily do a nice line in equity restructuring kits, that might not only squeeze some puff out of the corporate sector balance sheet, but permanently deprive the banks of translation-driven business.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday January 19 1987

INTERNATIONAL BONDS

D-Mark sector rallies as currency concerns dominate

EUROBOND dealers in West Germany might have had to fight to work through the perishing cold last week, but at least they were able to keep themselves warm with some active trading when they arrived at their desks, writes Clare Pearson in London.

Currency concerns dominated the international bond markets as the dollar fell further and the realignment of European Monetary System (EMS) currencies – which involved a 3 per cent revaluation of the D-Mark – proved inconclusive.

Against this background, the D-Mark bond market staged a significant rally, with yields declining by *as much as 15 basis points* at the long end. This was most unusual because normally a realignment of the EMS is the cue for investors to take profits in the sector.

In fact, the continued decline of the dollar kept the "hot" money flowing into the D-Mark, and the bond market was encouraged by speculation that the Bundesbank would be forced to cut its 3½ per cent discount rate.

By Friday, some of this enthusiasm was wearing off as the dollar's decline slowed. Nevertheless, dealers said the market was unusually buoyant for the end of the week.

The government bond market as the beneficiary of most of the inflow of speculative cash, since it is much larger than the Euro-DM market. This makes it easier for investors to liquidate their positions when they decide to sell-out.

But some, at least, of the inflow spilled over into the Eurobond market, which posted price rises of between ½ to ¾ of a point last week.

This provided a propitious atmosphere for the launch of new bonds, most of which went down well. A DM 300m, 10-year, 6 per cent bond for the European Investment Bank, *for instance, was quoted on Friday* at 99.30 bid, against a par issue price and within its fees.

Dresdner Bank's DM 500m, 4½ per cent, five-year bond, priced at 97¼, looked slightly optimistic, although dealers said its discount pricing would give it special attractions for high tax-bracket investors.

If the D-Mark market was in fine form, the Eurodollar market was languishing last week, and most lead-managers held back from issuing bonds denominated in the currency.

Paradoxically, however, most of the Eurodollar bonds that have been launched since the new year have met firm demand, and the week saw further successful issues for such names as Nippon Telegraph and Telephone, Belgium, and Sweden.

The answer to the conundrum is that lead-managers have made a new year's resolution to adhere to what one described as the "classic Coke" formula.

This is a move in the market to get back to basics: priding bonds so that they are attractive to underwriters and investors, and not just to borrowers.

This had been generally abandoned in recent times in favour of pricing bonds on highly aggressive terms. The lead-manager can often make up for this with a profit on the swap, but the underwriters are left with the loss.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,301.5	–	168.0	3,943.6
Prev	1,975.8	141.0	477.0	2,583.6
Other	2,216.9	166.3	5.5	223.0
Prev	1,114.1	217.3	294.7	118.1
Secondary Market				
US$	17,896.1	1,678.4	13,145.3	6,452.9
Prev	5,925.3	536.9	2,196.1	3,618.1
Other	14,079.8	136.8	3,684.1	5,883.2
Prev	3,754.1	155.5	982.4	2,960.7

	Cedel	Euroclear	Total
US$	13,186.9	32,189.9	45,376.8
Prev	6,570.9	10,873.1	17,444.0
Other	10,632.3	15,432.3	26,064.6
Prev	4,200.0	5,298.9	9,498.9

Week to Jan. 15, 1987 — Source: AIBD

This year's *deals* have mostly been designed to appeal to the institutional investors who are still active in the Eurodollar sector because they have to keep a given amount of their portfolios in the world's largest currency, and because they are able to hedge their exposure.

County NatWest Capital Markets topped up the supply on Friday with a $200m deal for Belgium that was rapidly increased to $300m on *firm demand. This issue had the advantage* over previous issues for Belgium of not only being attractively priced but also of including features that should make it appeal to a broad range of investors.

Until last week, Belgium's issues have been unlisted and in registered form, because the Belgian authorities have been anxious to keep the paper out of the hands of investors who seek to reduce their tax liabilities by buying bearer paper, maintaining their anonymity.

This time, however, Belgium reversed this policy, deciding that it would benefit more from broadening the types of investors who would be interested in the issue than from discouraging the Belgian dentist.

Even though this issue is in bearer form, however, its large $100,000 denominations should keep it in the hands of the international institutions and away from retail investors.

The 8 per cent 10-year bond was priced at 101½ to give an initial yield of 86 basis points over US Treasury bonds. County NatWest said that Belgium had, nevertheless, achieved a swap into floating-rate dollars of around 30 basis points below London interbank offered rate (Libor).

The deal was generally welcomed by the market as generous, although some concern arose when County kept most of $100m increase to itself, instead of distributing it pro rata among underwriters. At least one house – Credit Suisse First Boston (CSFB) – dropped out of the management group following this development.

In other currencies, the Eurosterling market suffered during the early part of the week as sterling weakened against European currencies, but recovered later along with the gilt market as the currency rallied.

This enabled Baring Brothers to launch a successful deal for the World Bank, albeit that most of it went to domestic institutions rather than foreign investors. Meanwhile, *CSFB launched a £110m convertible* deal for the Burton Group – the largest ever sterling convertible.

Elsewhere, the Australian dollar *market began to look congested* when three issues were launched on Friday, but the Canadian dollar sector stood up better to the weight of $623m of new paper.

The Canadian domestic bond market was trading buoyantly all week following a rise in the currency and some good trade figures. Most of the new issues were well received, although the market showed a strong preference for sovereign names.

In Switzerland, prices firmed in active trading. Dealers were looking for lower intrest rates, so bonds with relatively high coupons of around 5 per cent were in demand. Belgium launched a note issue a 4⅝ per cent coupon – the lowest on a five-year deal in around a year.

NBC buys Miami TV station for $270m

By Anatole Kaletsky in New York

IN A transaction which could have important implications for the financially volatile US broadcasting and TV production industries, NBC, the national TV network, has agreed to buy a Miami TV station for $270m – $135m less than was offered for the station last summer.

The sum paid for WTVJ-TV, which is considered one of the most attractive media properties to have come on to the market for several years, is the clearest indication to date of a recent slump in TV station values.

The seller of the station, Wometco Broadcasting Company, was created two years ago in a leveraged buyout led by Kohlberg Kravis and Roberts.

Wometco had previously agreed a price of $405m for WTVJ in a transaction with Lorimar-Telepictures, another highly leveraged TV production and distribution company. The deal fell through, however, when Lorimar was unable to arrange the financing reguired.

WTVJ, which was affiliated to the CBS network under Wometco's ownership was considered an attractive property because network affiliates are generally far more profitable than independent stations.

Affiliates take their programmes from one of the three major TV networks – NBC, ABC, or CBS – and receive a payment for each show they broadcast in exchange for providing the networks with advertising time.

Network affiliates in large markets have rarely come up for sale, because they have been seen as such attractive businesses. However WTVJ is believed to have been bought by NBC for only about 13 times its annual cash flow – the low end of the range of prices used by TV analysts for valuing such businesses.

EUROCREDITS

EdF cashes in on the benefits of improved conditions for borrowers

BY ALEXANDER NICOLL IN LONDON

JUST HOW MUCH conditions for borrowers have improved in recent years was illustrated starkly to bankers last week by the new terms of a $1bn revolving credit for Electricité de France (EdF), signed in 1984 and now the subject of renegotiation.

When the credit was mandated in June 1984 to Banque Nationale de Paris, Citicorp, Industrial Bank of Japan and Lloyds, it came at a key stage in the process of ratcheting down of prime borrowers' costs. The enthusiastic reception then given to the deal, which contained concepts novel at the time and widespread now, was an important sign of market trends of which EdF can now reap the benefits.

The terms now being proposed, even though they will slash EdF's costs, do not appear ungenerous to banks by the standards of some recent credits.

Originally mandated at $400m, the loan was one of the first to include a facility fee payable annually on the full amount irrespective of how much of the loan was drawn. This was set at 10 basis points. Now, after the progressive shaving of facility fees, it is to be halved – though it will still be higher than fees recently charged to other French state borrowers.

The original deal was also one of the first to apply the now widespread concept of utilisation fees, under which the borrower costs' rise as he draws more money. The interest rate was set at London interbank offered rates (Libor) flat. But an implied spread above *Libor* was provided by the borrower's undertaking to keep at least 16 per cent of the facility drawn.

That undertaking is now to be withdrawn, and the utilisation fees are being reduced drastically. Originally they were 15 basis points for up to 33 *per cent* usage, 20 basis points between 33 per cent and 50 per cent, 27.5 basis points for usage up to 75 per cent, and 35 basis points above that level. The fees are now being cut, respectively, to 2.5, 5, 7.5 and 10 basis points.

The original terms – *tight* by the standards of the day though not as aggressive as had been feared – attracted an overwhelming response. *For some of the 78 banks in the syndicate*, however, the new terms will simply not be remunerative enough.

Some smaller Continental European banks have already signalled that they will bow out. Though responses are slow because snow kept *many bankers from their London* offices last week, some banks have indicated acceptance and even a willingness to increase their exposure.

BTR, the UK industrial holding company, is proceeding with the financing *for its takeover bid for* glassmaker Pilkington Brothers with a £750m credit to back the cash element of its offer. This follows *last week's decision* by the UK Government not to refer the bid to the Monopolies Commission.

Citicorp Investment Bank, which *originally underwrote the entire* amount, is now asking other banks close to the company to make large commitments of £150m each for a *two-year facility of which half* would be repayable after a year. The commitment fee is 10 basis points, with a 25 basis point spread above *Libor*. There is the potential to increase the credit to £1bn if the cash portion of the offer were to be increased.

Associates Corporation of North America, a Dallas-based finance and insurance company, has mandated *Swiss Bank Corporation International* to arrange a $250m revolving credit facility. Though terms could not be confirmed, it was *understood* to be a five-year bullet deal with a commitment fee of 8 basis points, a margin over Libor of 18.75 basis points, a utilisation fee of 5 basis points above 50 per cent usage and front-end fees of up to 7 basis points for commitments of $25m.

Pirelli, the Italian tyre maker, has mandated Citicorp for a $75m five-year note issuance facility and *revolving credit which will stand* beside the borrower's existing facility of the same size but with much reduced costs. Interest is at Libor flat on both deals, but the *facility* fee on the new one is 5 basis points against 7.5 per cent on the existing one, and the utilisation fees are 5 basis points for the first third, 7.5 for the second and 12.5 for the third compared with 20, 25 and 32.5 respectively.

British Printing & Communication, headed by Mr Robert Maxwell, has appointed Hill Samuel as sole dealer for a £100m sterling commercial paper programme.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Signs of fatigue as foreign investors start backing off

THE UK Government bond market is showing the first signs of fatigue after its roaring Christmas season rally and seems to be wondering where to go next. As so often before, sterling will probably provide the pointers.

Last week saw long-dated issues flirt with the 10 per cent yield barrier but there was pretty stiff resistance to breaking that level decisively and the overseas investors which had provided the motor for the rally seem to be backing off.

Despite several nibbles last week at the remainder of the £1bn issue of 10 per cent Treasury Loan and the £800m 2½ per cent index-linked Treasury Stock 2024, the Bank of England has still been left with modest amounts of each.

The longer this stock hangs around, the less confident the market will be about building on its gains. There were already signs of insecurity last week with setbacks every time a bit more stock dribbled out into the market.

In addition, there is perhaps as much as £400m of gilts, bought to hedge Eurosterling issues, which effectilvely overhangs the market like an unsold tap until the swap arrangements are completed.

In the course of the week, sterling's less than sparkling performance against the newly realigned currencies of the European Monetary System managed to scupper speculation of an early base rate cut.

On domestic grounds—and the case should be underlined by this week's money supply figures—it seems clear that 11 per cent rates will in place for some time, unless, as in past years, the Chancellor of the Exchequer cannot resist a Budget-time cut to add even more lustre to a generous tax package.

In many ways, however, the development of events at home are working in favour of the gilt market.

The Bank of England's funding requirement appears to be remarkably undemanding and confidence is growing that there will be a significant undershoot on the Government's public sector borrowing requirement target, making the Chancellor's tax cuts even more secure.

All this matters because the gilt market is playing at politics. The fall from 11 per cent-plus yields late last year to the current level has been inspired by a market which is betting that sterling's weakness against European currencies will not develop into the apocryphal January crisis and that the Conservatives will win the general election and then join the EMS.

As long as opinion polls continue to show the Government in the lead, and announcements such as last week's unemployment figures can only help, the 10 per cent yield barrier looks breachable.

But a sustainable rally depends partly on the willingness of foreigners to invest, and the international scene looks set for an extremely volatile period.

Events on the foreign exchanges last week and the war of words between the key Group of Five players, not to mention between the various powers-that-be in the US, sounded the opening shots in what could be an increasingly intense battle for position on interest rates and currencies.

Gilts were buoyed at the end of last week by persistent rumours of a Japanese discount rate cut and some of sterling's late recovery on Friday could be traced to caution about buying too many more D-Marks if there is any possibility that West Germany will give in to demands for a cut in interest rates after its election on January 25.

All this adds up to the emergence of two distinct market camps. One is confident that sterling's vicissitudes last week were purely a result of the huge flows between the US and West Germany and that, on all other fronts, things are shaping up nicely for the Government in election year. This camp could perhaps be dubbed the "short-termists."

The "long-termists" are worried about investing too much faith in opinion polls, are concerned about the trade balance—beware the next set of figures on January 28—and about the build up of inflation in the economy at a time when oil prices are strengthening but sterling has not benefited as much as it should.

Janet Bush

US MONEY AND CREDIT

Bond market still decidedly bullish

THE US bond market showed astonishing resilience last week, losing a mere 1.5 points from Monday to Wednesday in the face of the collapsing dollar. During those three days the dollar fell by 4½ per cent against the D-Mark and shattered the trading range of Y155 to Y165 which had been widely seen as the cornerstone of the agreement on currency stability reached between the US and Japan last autumn. By the close on Friday, bond prices had recouped half their earlier losses, to finish a mere ½ to ¾ points down at the long end.

It was not just the bond market's well-known addiction to Japanese and European investment flows that made this an extraordinary performance. The bulls could always argue, after all, that US bonds were getting cheaper, and therefore more attractive, as the dollar plunged. Or to put the same idea in the vernacular of the East End trading houses where many a bond dealer picked up his market-making skills—there's a mug born every minute.

What made the bond market's firm optimism really surprising was the flow of other news last week. There was the public squabbling between the US and the finance ministries and central banks of Japan, West Germany and other countries in Europe. There were warnings from current and former Fed governors about the tight constraints on monetary policy. There were even rumours that Mr Paul Volcker was about to retire as chairman of the Federal Reserve Board, to be replaced by the arch-monetarist Mr Beryl Sprinkel — probably the least respected economic figure in the US just now.

On the statistical front, developments were similarly gloomy. Oil prices have continued to rise even above Opec's $18 target. Retail sales and industrial production both turned out stronger than expected, showing growth of 4.4 per cent and 0.5 per cent respectively in December. The money supply, as usual, seemed to be well and truly haywire, with M1 growing at an annualised rate of 28.4 per cent in December. Along with other statistics out in recent weeks, these figures added up to a picture of a considerably stronger economy than most people expected a few months ago.

Why then does the consensus in the bond market remain decidedly bullish? Apart from the general euphoria which has undoubtedly spilled over from the equity desks on Wall Street, there seems to be a broad belief that the public fueding among the world's monetary authorities is more likely to result in interest rate cuts by Germany and Japan, rather thna rises in the US. There are three broad reasons.

First, much of the strength of the economic indicators for December is thought to be illusory. Tax reform may well have caused spending and output to be "borrowed" from the beginning of 1987, increasing the likelihood that the statistics from next month onwards will point again to economic weakness.

Second, Germany and Japan seem to have more to lose than the US from the collapse of the dollar—their export industries are suffering palpably, while there are few signs yet that US inflation will rise to unacceptable levels.

Third, it is German and Japanese — not US — interest rates that are currently out of line with historical experience, particularly at the long end. The real yields of 6 per cent or more available for 30 years on corporate or even publicly guaranteed bonds in yen and D-Marks are unlikely to be sustained for ever.

* * *

The following are the economic indicators due for release this week, along with the median market expectations, as surveyed on Friday by Money Market Services of Redwood City, California:

● The consumer producer index for December (8.30 am Wednesday) is thought to have risen by 0.3 per cent, similar to the increase of 0.3 per cent in November and 0.2 per cent in October. Estimates range from 0.1 per cent to 0.5 per cent. A rise of 0.3 per cent in December consumer prices would produce a 12-month inflation rate of 1.2 per cent during 1986.

● Housing starts (8.30 am Wednesday) are expected to be running at an annual rate of 1.6m, very similar to the figures of 1.6m in November and 1.63m in October. The range of estimates is from 1.5m to 1.8m.

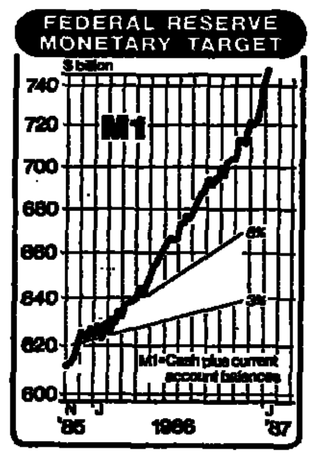
● Preliminary GNP figures for the fourth quarter (8.30 am Thursday) are forecast to show 2.6 per cent annualised growth, compared with a 2.8 per cent rate in the third quarter. The forecasts range from 1.8 to 3.7 per cent. A 2.6 per cent growth rate in the fourth quarter would also result in year-on-year growth of 2.6 per cent for 1986 as a whole. The GNP deflator is expected to have shown a 3 per cent rise in the fourth quarter, with estimates varying from 1.9 to 3.5 per cent.

● Money supply figures (4.30 pm Thursday) are expected to show a fall of $7bn in M1, but forecasts range from down $11bn to up $1bn.

● Personal income for December (10 am Friday) looks like being 0.5 per cent higher, after rising 0.3 per cent and 0.4 per cent in the previous two months. The range of estimates is very wide, from minus 0.2 to plus 0.9 per cent, partly because of large payments expected to be made to farmers by the Commodity Credit Corporation. Personal consumption, which is announced at the same time, is thought to have risen by 1.8 per cent, with a range of zero to 3.5 per cent. This compares with consumption growth of 1.1 and 2.2 per cent in November and October.

Anatole Kaletsky

FEDERAL RESERVE MONETARY TARGET



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.05	6.30	6.62	11.34	5.71
Three-month Treasury bills	5.34	5.37	5.50	7.19	5.01
Six-month Treasury bills	5.37	5.44	5.58	7.26	5.08
Three-month prime CDs	5.89	5.87	6.25	7.90	5.46
30-day Commercial Paper	6.65	5.80	6.90	7.80	5.55
90-day Commercial Paper	5.75	5.70	6.30	7.75	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100⅝	−⅝	6.88	6.86	6.98
20-year Treasury	118⅝	−⅝	7.55	7.49	7.65
30-year Treasury	102	−⅝	7.33	7.28	7.37
New 10-year "A" Financial	N/A	N/A	8.00	7.88	8.13
New "AA" Long utility	N/A	N/A	8.63	8.63	8.88
New "AA" Long industrial	N/A	N/A	8.50	8.40	8.88

Money Supply: In the week ended January January 5 M1 rose by $7.7bn to $740.3bn. In December M2 rose by $22.8bn to $2,804.3bn and M3 by $28.8bn to $3,488.8bn.

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	15/1/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	132.88	4.82	132.50	128.67	126.46
Government Bonds	133.53	4.51	133.36	129.34	127.58
Municipal Bonds	133.51	5.23	132.83	128.77	125.93
Government-guaranteed Bonds	134.38	5.28	133.58	129.24	126.60
Bank Debentures	129.20	4.83	128.87	125.68	123.62
Corporate Bonds	131.58	5.70	131.06	128.05	124.39
Yen-denominated Foreign Bonds	133.88	6.41	133.38	130.15	127.16
Government 10-year	5.32		5.32	5.80	5.54

Columns 15/1/87 to 26 wks ago: PERFORMANCE INDEX.

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid Price	Chg. on week	Yield
ABN Bank 8½ 91	150	102⅝	−0¼	7.45
AHFC O/S Fin 11¼ 94	100	103½	−0¼	11.00
AIDC 11 89	75	0		
Alcan Australia 8¾ 89	25	100	0	8.47
American Expe 12¾ 88	150	108.375	−0¼	6.78
Asian Dev Bk 11¼ 93	100	116	0	8.55
Australia 11½ 90	100	111½	−0¼	7.39
Procter & Gam 10 95	150	110⅞	−0¼	8.17
Pru Rlty Secs 0 99	365	36⅞	−0¼	8.67
Pru Rlty Secs 11⅞ 92	380	110⅞	0	9.17
Pru Rlty Secs 12⅝ 95	545	119⅝	−0¼	8.63
Qantas Airways 10⅝ 95	140	113⅞	0	8.10
Quebec Hydro 10 98	75	103	+0¼	9.56
Queensld Gvt 11¾ 89	100	110⅝	0	7.16
Reynolds R. J. 10⅝ 93	100	112⅞	0	7.63
Rockwell Int 9⅞ 90	200	107⅝	−0¼	7.34
[illegible]				

OTHER STRAIGHTS / CONVERTIBLES	Issued	Bid Price	Chg. on week	Yield / Prem.
IBM 6⅞ 96	300	104	+3	40.49
ITT 4½ 87	50	0		
Kaiser Aluminium 5 88	30	94	−0½	53.84
LASMO 9⅞ 99	44	89	+1½	46.58
Lorimar-Telepics 6 01	100	93½	+0¼	81.81
Newmont Mining 7 01	100	121½	+2½	14.45
Nippon Seiko 3⅞ 99	70	126½	0	−2.48
Olympus Optical 6⅞ 97	40	151	+0¼	−0.24
Penney J C Int 4½ 87	35	107½	−0¼	13.04
[illegible]				

US DOLLAR STRAIGHTS (cont.)	Issued	Bid Price	Chg. on week	Yield
[illegible]				
Olympia & York 8⅞ 96	435	98⅝	+0¼	8.45
Ontario Hydro 11⅞ 89	200	0		
Ontario Hydro 13½ 91	100	121⅞	+0⅞	7.16
Ontario Hydro 14⅝ 89	150	116⅞	0	6.95
Ontario Hydro 15 92	150	131¾	0	7.74
Ontario Hydro 11⅝ 94	200	120⅞	−0⅞	7.76
Ontario Hydro 11⅝ 90	200	114⅞	−0⅞	7.06
Pacific Gas & El 15½ 89	45	102½	0	14.02
Pacific Gas & El 12 00	75	118½	0	9.46
Penney J C 11⅞ 90	100	0		
Penney J C 12⅝ 91	100	112¼	0	9.35
Pepsico Capital 8⅞ 91	100	104⅝	+0¼	7.12
Petro-Canada 7¼ 96	200	96½	0	7.94
Philip Morris 9½ 99	300	0		
Postipankki 11⅝ 90	75	108½	0	7.61
Post Ock Kred. 13½ 87	50	103⅞	0	7.17

FLOATING RATE NOTES (cont.)	Spread	Bid	Offer	C.cpn
[illegible]				
Wells Fargo ⅛ 2000	200	99⅞	−0⅛	6⅝
Wells Fargo ⅛ 96	50	99	−0⅛	6⅞
Wells Fargo 0.225 92	150			7⅛
Westpac Banking ⅛ 97	150	98⅞	0	6⅞
Woodside Fin (Feb) 97	300			6⅞
Woolwich Equit ⅛ 95	200	99⅞	0	11⅞
World Bank 0.35 94	250	99	0	6⅝
Zentral Und Kom ⅛ 91	30	100	0	6⅞

CONVERTIBLE BONDS	Issued	Bid Price	Chg. on week	Prem.
American Brkrs 5¼ 01	70	101½	+1	28.82
Computer Prods 7 99	15	0		
Eastman Kodak 6⅝ 01	300	116	+1¼	19.14
Elektrowatt 5 96	51	181	+13	−7.31
Gibraltar Savings 7½ 06	100	104	−0½	27.67

BOND WARRANTS	Expiry date	Bid Price	Chg. on week	Ex. yield
[illegible]				
UNY	17/6/91	12	−2	39.61
Aegon Ins 11½ 91	15/2/88	0		
Coca Cola 11½ 91	28/11/88	0		
Dart Kraft F 10⅝ 96	1/1/96	28	0	9.80
Denmark 12⅝ 92	31/1/90	0		
Eksportfinas 12⅝ 89	15/9/87	136⅛	0	7.38
Holland Air 11⅝ 91	10/8/88	89	0	9.02
Ind Bk Jpn 12⅞ 91	5/10/89	178⅝	0	8.14
Mitsubishi F 12⅝ 91	8/11/89	0		
J.P Morgan 11⅝ 90	16/8/87	86⅛	0	7.86
Texaco Cap 12⅝ 92	1/9/87	0		
Wlls Frgo A 12⅝ 91	27/12/89	0		
Weyerhsr C 11½ 90	15/11/87	92	0	8.09

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on January 16.

George Graham on the first French bank to be put back into the private sector

Paribas returned to its natural state

WEEKENDS will be duller next month for Mr Michel Francois-Poncet, chairman of Paribas. The extra hours he has had to put in in the run-up to his bank's privatisation have been hours he has thoroughly enjoyed.

"The privatisation has been appallingly time-consuming but it has been enjoyable to have a sense of life at the weekends—to come in on Saturday and Sunday and have people doing things instead of staying at home wondering what time to get up," he says.

The surge of activity at the weekends has provided some surprises to connoisseurs of French architecture, who are accustomed to Saturday visits to Paribas' elegant headquarters in the Rue d'Antin.

A guided tour paying its respects last Saturday afternoon to the room where Napoleon and Josephine were married came across the room's current occupant at work at his desk.

"A chance to see the canary in his cage," reflects Mr Francois-Poncet, a 52-year-old bachelor.

It is a cage that has long been familiar. Unlike many of the other heads of the French nationalised banks, Mr Francois-Poncet is home-grown. He has worked at Paribas for 26 years and knows the workings of the bank intimately.

Educated at the Institute for Political Studies in Paris, Mr Francois-Poncet went on to Harvard Business School in 1956. His later career in Paribas also took him to the US, where he headed the bank's operations, and the American influence has left its mark.

Mr Francois-Poncet himself claims to have learnt a certain approach to problems in the US, the attitude of not being scared to bite the bullet. As his colleagues in Paris have discovered, he also acquired the breakfast habit. Paribas executives now expect to start five days a week at 8 am, and Mr Francois-Poncet himself breakfasts with the heads of each of the main departments in rotation.

One of Mr Francois-Poncet's trump cards in the past year has been his close friendship

Mr Michel Francois-Poncet, chairman of Paribas

with Mr Jacques Chirac, now Prime Minister, which dates back 35 years. It is a friendship which some competitors believe tipped the scales for Paribas in its race with Indo Suez to be the first bank to be privatised.

Paribas's chairman concedes that the friendship helped. "Certainly it was important in the choice of Paribas, because the house expected me to pull it off."

The move back to the private sector is viewed by the whole of Paribas as a return to its natural state after a five-year parenthesis. And Mr Francois-Poncet's style of presidency is also viewed by his senior colleagues as a return to tradition from the more autocratic era of Mr Jean-Yves Haberer, who moved from the head of the French Treasury to take over Paribas under the Socialist government in 1982.

The eight-strong executive committee now meets every morning and has a much more collegiate approach to decision-making. "There is a general management now, where there was no general management under the previous chairman," comments a close colleague "They discuss business matters as well, not just strategy. He actually likes clients."

The privatisation of Paribas opens in earnest today and closes on January 31. But this will not be the cue for a holiday, "contrary to the secret hopes of some of my colleagues," says Mr Francois-Poncet. Instead, he will be restarting his travel programme.

"For three months I have hardly travelled at all, which is intolerable in itself because I have developed the habit of travelling, but also because you have to visit the branches of the organisation."

What of his future at Paribas? Mr Francois-Poncet took over as chairman only in July, in the first round of changes at the top of the French nationalised companies after the return to power of Mr Chirac.

Some outsiders have expected his task to be the temporary one of assuring the transfer of Paribas to the private sector, before handing on the baton.

But Mr Francois-Poncet himself does not see the job as finishing then. "It is up to the general assembly of shareholders to decide on the chairman, but I am not here for six months only. I am 52, and technically, to the chagrin of my colleagues, I can still be at Paribas in the year 2000."

Bowater profits fall by a third

BY OUR FINANCIAL STAFF

BOWATER INC, the US paper maker, yesterday reported a fall of nearly a third in net profits for the final quarter of 1986, to $13.93m compared with $20.71m, but describes the period as "the turnround we have been awaiting all year."

Mr Anthony Gammie, chairman, said a change in pension cost calculations had distorted comparisons. Excluding that effect, "fourth-quarter operating income was more than double that of the third quarter this year and about the same as 1985 fourth-quarter results." In addition, the entire tax charge was taken at the year-end.

For 1986 as a whole Bowater – spun off in 1984 from the British company of the same name – earned $49.44m against $67.52m.

The company said the unusual release of its results on a Sunday was because of investor briefings currently under way, tied to an international equity issue which went on sale on Friday.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Izumiya Co. Ltd. ¶‡	60	1992	5	3¼	100	Nomura Int.	3.250
Esai Co. ¶‡	100	1992	5	3⅜	100	Nomura Int.	3.375
Kurita Water ‡	30	1992	5	(3⅜)	100	Nikko Secs. (Europe)	*
Toshiba Eng. & Con. ¶	50	1992	5	(3⅜)	100	Daiwa Europe	*
CMO Eurotrust 18 (b) †‡	128	2017	2.87	½	100	Salomon Brothers	–
NTT ‡	150	1994	7	7½	100⅝	Banque Paribas	7.382
Whirlpool Acc. Corp. ‡	100	1991	4	7⅛	101¼	Shearson Lehman Bros.	6.758
Statoil ‡	200	1994	7	7⅝	101	Salomon Brothers	7.437
Sweden ‡	250	1992	5	7	101	Morgan Guaranty	6.758
Farm Credit (Canada) (c)‡	100	1996	9	7½	99⅝	Goldman Sachs	7.741
Belgium ‡	300	1997	10	8	101½	County NatWest	7.779
AUSTRALIAN DOLLARS							
Toronto-Dominion Bk ‡	40	1990	3	14½	101¼	Hambros Bank	13.982
NordLB Finance ‡	50	1992	5	14¼	101½	NordLB	13.815
Indosuez Australia ‡	40	1990	3	14⅞	101⅛	Warburg Securities	14.387
BP Capital ‡	100	1992	5	14⅛	101½	Commerzbank	13.681
CANADIAN DOLLARS							
Ford Credit Canada ‡	75	1992	5	9	101¾	Goldman Sachs	8.555
Prov. of Saskatchewan ‡	150	1990	3	8½	100¾	Wood Gundy	8.208
Sears Canada ‡	100	1997	10	9¼	101¼	Wood Gundy	9.065
CIBC Mortgage Corp. ‡	100	1992	5	9	100⅝	CIBC	8.840
EIB ‡	130	1996	9	9	101⅞	Goldman Sachs	8.773
City of Winnipeg ‡	60	1992	5	9	101⅜	Wood Gundy	8.650
D-MARKS							
Commerzbank O'seas Fin. ‡	400	1992	5	5½	100	Commerzbank	5.500
EIB ‡	300	1997	10	6	100	Deutsche Bank	6.000
Bk Julius Baer Bk & Tst §‡	150	1994	7	2	100	Deutsche Bank	2.000
Toronto-Dominion Bk **‡	100	1994	7	5⅝	100	SBC (Germany)	5.625
Dresdner Finance ‡	500	1992	5	4½	97¼	Dresdner Bank	5.138
SWISS FRANCS							
Bio Cap. Holding Co. (a)§	100	2002	–	(5⅝)	100	Bqe Gutzwiller, K. B.	*
Daiwa Bank **§	100	1992	–	(2)	100	SBC	*
Austria **‡	200	1997	–	4⅝	99¾	UBS	4.657
KfW **‡	100	1994	–	4½	101	SBC	4.331
New Zealand ‡	200	1999	–	4⅞	100	UBS	4.875
New Zealand **‡	200	1993	–	4⅝	100¼	UBS	4.576
Hongeveens **‡	150	1994	–	5⅛	100	UBS	5.125
Belgium **‡	100	1992	–	4⅜	100	Credit Suisse	4.375
Fuji Heavy Ind. ‡	150	1997	–	4¾	99½	SBC	4.814
Council of Europe ‡	150	1997	–	4⅞	100	Banca del Gottardo	4.875
Finnish Real Estate	150	1993	–	(4¾)	*	J. Henry Schroder Bk	*
Norges Kommunalbk **‡	7	1990	–	4⅛	100	Handelsbank	4.125
Norges Kommunalbk **‡	8	1991	–	4¼	100	Handelsbank	4.250
STERLING							
World Bank ‡	100	1999	12	10⅜	100¼	Baring Brothers	10.338
Burton Group §‡	110	2001	14½	4¾	100	CSFB	4.750
ECUs							
Bank Mees en Hope ‡	50	1992	5	7⅜	100½	Morgan Stanley	7.252
CCCE ‡	73	1992	5	7½	101⅝	CCF	7.103
Sumitomo Fin. Asia ‡	100	1994	7	7¾	101⅜	CCF	7.490
Eurofima ‡	150	1994	7	7⅝	101¾	Morgan Guaranty	7.297
Queensland Gov. Dev. ‡	75	1992	5	7⅝	101¾	BNP	7.318
YEN							
Postipankki ‖‡	5bn	1992	5	7¼	105	Mitsubishi Fin.	6.061
Den norske Creditbk ‡	25bn	1992	5	5⅛	101¼	Nomura Int.	4.838

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. § Convertible. ‖ Currency-linked. (a) Collateralised convertible. (b) First coupon 6½% to May 1 1987, then ½% over 3m Libor. (c) Launched in US domestic market. Note: Yields are calculated on AIBD basis.

Joint venture for Cofide and Shearson

By Alan Friedman in Milan

SHEARSON LEHMAN American Express, the Wall Street investment bank is in an advanced stage of negotiations with Cofide, the master holding company of Mr Carlo de Benedetti, to form a joint company in Italy which would market a broad range of financial services.

An announcement is expected within the next few weeks, but it has already been learned that the talks concern a new company which would handle insurance, mutual funds, leasing and factoring, and portfolio management.

Shearson Lehman is among the key institutional shareholders of Cofide with a 4.9 per cent stake.

Mr De Benedetti has been working for some time to create diversified financial services groups in both Italy and in Switzerland. His Cofide group, which also controls a range of interests such as Olivetti, Buitoni and various industrial and publishing companies, owns Latina and Ausonia, two Italian insurance companies.

Swiss to open first options exchange

BY JOHN WICKS IN ZURICH

LEADING Swiss banks and stock exchanges have set up a joint company to operate the country's first options exchange, due to open in a year.

Soffex Swiss Options and Financial Futures has been formed with a small starting capital of SFr 5m ($3.2m) by the Zurich, Geneva and Basle stock exchanges and four of Switzerland's big five banks – Union bank of Switzerland, Credit Suisse, Swiss Volksbank and Bank Leu.

The location of Soffex, which is planned as a "nationwide market with fully-automated and decentralised trading," has not yet been decided .

A central computer will allow members to operate from their own premises. Membership is possible either in the exchange alone or in both the exchange and clearing organisation.

To assure adequate liquidity, membership will be extended beyond the current circle of stock-broking banks. This will include banks, dealers, portfolio mangers and brokers belonging to an international options and futures exchange.

Soffex will start by introducing options on Swiss stocks, trading to cover only bearer shares, participation certificates and dividend certificates. Registered shares will be excluded from the system.

A tentative list of suitable stocks includes 14 major domestic companies in the industrial, banking, insurance and services sectors. Further contracts are foreseen for a later date.

Euro-clear settlements up

BY ALEXANDER NICOLL

THE VALUE of securities settled through Euro-clear, the Brussels-based clearing system, rose 60 per cent last year to $2,336bn, reflecting the rapid growth of the Eurobond and other international securities markets.

Euro-clear is the larger of the two clearing systems which handle virtually all Eurobond transactions. Final 1986 figures for Cedel, its Luxembourg-based rival, have not yet been published.

Euro-clear said the number of transactions it settled rose by 31 per cent last year to 5.8m and the number of participants in the system by 13 per cent to 2,053. A sharp 52 per cent rise to 17,691 in the number of issues eligible to be cleared reflected, not only new Eurobond issues, but the addition of short-term Euro-instruments, international equities, Swiss franc private placements and domestic bonds from several other countries.

Brother suffers 41% fall

BY YOKO SHIBATA IN TOKYO

BROTHER INDUSTRIES, the Japanese maker of sewing machines and typewriters, suffered a 41 per cent fall in pre-tax profits to Y8.82bn ($57.4m) and net profits down 44 per cent to Y4.61bn in the year to November.

Sales were 8 per cent lower at Y168.58bn. Brother said domestic shipments of printers, word processors and other information equipment tumbled 37 per cent because of stiff competition. Home-use sewing machines fell 7.1 per cent.

The profit decline was in part attributed to the yen's appreciation, which undercut export profitability while forcing a Y1.65bn appraisal loss on the company's holdings of foreign bonds. However, the company intends to maintain the annual dividend of Y10 per share.

For the current year, Brother expects sales to increase 8.4 per cent to Y168bn, but foresees a 26.3 per cent fall in pre-tax profits

UK COMPANY NEWS

David Fishlock looks at one of the central issues in the BTR bid battle

R & D strategies under scrutiny

A COMMITMENT to research and development has emerged as one of the central issues in the current takeover bid by BTR, the industrial holding company, for Pilkington Brothers, the glass manufacturer.

Pilkington has a particularly strong reputation for research and development, dating back to the 1950s when it invented the float process which has revolutionised the manufacture of flat glass worldwide.

BTR, by contrast, has been attacked during the bid for an alleged lack of commitment to R & D, which is said to reflect a short-term approach to business. But how accurate are these images?

Sir Owen Green (left), chairman of BTR, and Mr Antony Pilkington, who heads the Pilkington board

It is true that BTR lays no particular stress on R & D and its last annual report discloses nothing more than that "expenditure on research and development is written off in the year in which it is incurred."

Pilkington projects a much higher R & D profile, but summarises the scene in its latest report in just three sentences, using figures that are substantially out-of-date.

Neither company yet complies with growing enthusiasm at Westminster, in Whitehall and by the Bank of England for both a qualitative and a quantitative annual statement of whether and how company money is being spent on R & D.

Since the invention of the float process, Pilkington has continued to invest heavily in float glass, to the tune of about £30m this year, half of its total R & D budget. This investment has halved the energy consumption over the past 20 years, and increased ten-fold the amount of glass made between shutdowns.

A float furnace now makes a continuous river of glass 65,000 miles long between shutdowns, says Sir Robin Nicholson, technical director. "That kind of research has to go on for ever."

It is the bedrock for earnings of about £30m a year in licence and technical fees, the vast majority of which come from float, Sir Robin says.

He claims the investment has maintained Pilkington's international leadership in the technology, and cites as evidence China's recent choice of the company in competition with Japanese, US and French suppliers of the float process.

Sir Robin, who a year ago relinquished the job of chief scientific adviser to the government for the Pilkington post, has functional responsibility for group (central) R & D—some 30 per cent of the total—and a co-ordinating role for divisional R & D.

He is also "sponsoring director" for two fast-growing divisions, electro-optics and ophthalmology, both expanding at about 15 per cent annually compared with 2 per cent for the flat glass business.

Company strategy is to have one-third of its earnings from high-growth, research-based activities by the early-1990s.

This includes adding value to flat glass, for example with coatings conferring a host of new mechanical, thermal, optical and other properties. Sir Robin likens the way his company has gone resolutely downstream in pursuit of greater earnings to the aluminum industry, and in contrast to steel.

BTR has no central R & D laboratory, although it does have a small system technology centre called Real Time Business Systems, serving the group for software. Much of the £4bn conglomerate has little contact with advanced technology.

But parts have an impressive investment in R & D, notably the aerospace companies, mostly acquired from Dunlop in 1984, and the health-care companies, mostly acquired from Thomas Tilling in 1983.

Mr John Roberts, chief executive of the aerospace companies, spends about 10 per cent of sales of about £100m on R & D.

How this is spent is his own responsibility, he says. He claims less interference with his role as manager and greater spending powers than he had under the Dunlop management, which he served for 30 years.

"We're in a business where if we stand still we'll disappear fairly quickly," Mr Roberts says. This engineer challenges assertions that the BTR group looks no more than three years ahead by citing its recent approval for major investments in new manufacturing plant for aircraft tyres, and for the first phase of a computer-aided engineering system. Both were of a magnitude requiring main-board approval.

Health-care with a turnover of about £180m reckons to spend 3 to 4 per cent of sales on R & D, a proportion comparable with its international competitors, says Mr Michael Collins, chief executive. But some of his group's companies have a research investment closer to that of the innovative end of the pharmaceutical industry.

His flagship is Bear Medical Systems in California, specialists in highly sophisticated systems such as its latest pateitn ventilator in which almost everything the doctor can wish to know about his patient comes together in colour on a visual display.

As Mr Collins sees it, there is good business in medical technology which stops short of the most advanced systems such as attempts to design artificial organs. But he also rejects the hospital supplies end of the market, where there is very little added value.

Artificial limb-making, a traditional craft area, is one be proudly claims to have updated with computer-aided design and manufacturing systems. At least 75 per cent are now assembled from modules machined on computer-controlled machine tools. Mr Collins says bluntly that he is opposed to central R & D. He believes each product needs a champion prepared to fight for it.

He sees BTR's technical philosophy as founded on having individual "centres of excellence" where they are needed — medical data processing, laboratory plastics, aircraft tyres — and appropriate to the market they serve.

This view is shared by Sir Owen Green, chairman of the company, who in a recent takeover document said: "BTR does not put any component part of its business to the forefront in meeting its raison d'etre — service to the marketplace. R & D is no exception. Its funding will be as large as the market is perceived to require from each business as an entity."

A decade ago all of Pilkington's R & D was concentrated in a single centre at Latham, Lancs. Today, about 70 per cent of the budget is spent by the divisions and only 30 per cent in the central laboratories.

But this is mainly because the company has made several acquisitions — in Scotland, Australia, W Germany and the US — with their own R & D. The Pilkington companies for which Sir Robin is "sponsoring director" re-invest about 12 per cent of sales in R & D, he says.

In contrast to Mr Collins of BTR, Sir Robin has no doubt of the value of central R & D, provided there is close interaction between divisional and central scientists. The job of those at the centre is to keep close to the science that might suddenly become commercially important, even vital to business survival.

This sector of science is now becoming more clearly distinguished as "strategic science."

Examples Sir Robin cites includes holography — laser photography — which was once being explored in the central laboratories as a promising new idea for electro-optics, but has recently emerged as a new manufacturing process for bifocal contact lenses.

London and Manchester new life business up

London and Manchester, the industrial life assurance group, said its new single premium business was £55m last year, up 15.5 per cent on the 1985 figure.

New annual premiums fell nearly 2 per cent to £23.2m. Total sums assured on both classes of new business rose to £715m, 16.6 per cent up on the previous year's total.

Mortgage lending also expanded, with L and M's loan portfolio up 27 per cent to £210m at the year's end.

L and M said overall new annual premiums in its home service division were 6 per cent lower at £9.7m. Of this total, industrial branch new premiums fell 7 per cent to £6.3m, and ordinary branch new annual premiums decreased 5 per cent to £3.4m.

The division's new single premium business grew by 77 per cent cent to a record £9.1m. "These results were undoubtedly affected by the major divisional structure and field management changes implemented during the second half of the year," L and M said.

L and M's general branch increased new business premiums by 4 per cent. Its life broker division boosted new single premiums by 18 per cent to £28.1m. New annual premiums fell 8 per cent to £8.6m.

New annual premiums in the pension division grew 24 per cent to £4.9m, while new single premiums fell 6 per cent to £11m.

John Laing setting up high technology side

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

John Laing, one of Britain's largest construction companies, is about to announce a major diversification into high technology.

It is setting up a new Energy, Technology and Environment division (ETE) which will offer services in everything from asbestos removal and supplying emergency dealing rooms to cabling computer systems and computer aided road design, energy management and processing nuclear waste.

It will draw together 15 different Laing companies including its latest acquisition, the Aberdeen-based offshore engineering company Oilfab, in a new division that is planned to earn up to 10 per cent of Laing's profits by 1990.

And if all goes according to plan, ETE could ultimately earn up to 15 per cent of group profits, said chairman Mr Martin Laing.

He has decided to diversify into technology to compensate for the downturn in profits and workloads in public sector civil engineering.

This has remained depressed even though other construction activities such as housebuilding and shop and office building have shown a marked upturn over the last two years.

"A main reason for the diversification is that general contracting is highly competitive and civil engineering is a static and low margin business," said Mr Laing.

"We wanted to move into a business with a high profit margin because if we just stayed doing competitive tendering we would never get very far.

"Our high technology division will now be the major investment activity for the company other than buying housebuilding land and construction equipment for the next four to five years."

The ETE division companies achieved a turnover of £60m out of Laing's total £800m group turnover in 1986. This is planned to rise to £80m within the next two years.

The new division is expected to earn a profit of £1.75m in 1987, out of an estimated total group profit of £37m for the year. ETE profit is then expected to rise to £3.5m in 1989 and to continue a steep upward trend.

The group is also banking on predictions that computer cabling and telecommunications installations will account for between 25 per cent and 50 per cent of the value of all commercial buiding contracts in the next decade.

Mr Laing is now looking for new companies to add to his ETE division. He is particularly interested in buying into electronic instrumentation and control, and in increasing the group's involvement in energy conservation and computer software.

To try and retain a more entrepreneurial spirit than is customary in large contracting companies, all the ETE companies will be kept as small, independent entities rather than being homogenously absorbed into the Laing group.

With its new division, Laing is joining a string of other UK contractors which have been forced to diversify away from the depressed civil engineering sector.

"But we are the first to focus on high technology," said Mr Laing. "Companies such as Costain, for example, have diversified into mining as their major strategic move, but we think that the key area is going to be energy and the environment and computers."

F.T. Share Information

The following securities have been added to the Share Information Service.

Ashtead (Section: Building, Timber & Roads)
Brierley Investment (Industrials)
Celtic Haven (Industrials)
Weeltons Betterware (Drapery & Stores)

Hobson board changes

Hobson, struggling to contain losses from a patented aluminium die-making process, has appointed Mr Richard Thompson as an executive director in an effort to strengthen its management team.

Mr Stanley Sharp, Hobson's controlling shareholder since last summer has been appointed chairman to replace Mr Rodney Harnett, who resigned from the board.

Hobson also announced that it was reviewing the operations of its original business, development of the die-making process, in an effort to stem the cash drain from the company.

Barrow urges holders to approve Tor purchase

BY CLAY HARRIS

Barrow Hepburn, the engineering and chemicals group facing a £17.3m takeover bid from Yule Cato, yesterday urged shareholders to approve its proposed purchase of Tor Coatings, a maker of speciality paints.

Yule Cato has criticised the £3.15m cost of the acquisition, which must be approved at an extraordinary meeting on Friday; it said that Barrow was paying 24.4 times Tor's £129,000 after-tax earnings in the year to May 1986. The chemicals, building products and plantations group maintained that this fully discounted future growth.

Barrow argued yesterday that pre-tax profits of £400,000, the level which Tor must breach in the current year for the vendors to receive any additional payment, is a better indicator of the company's prospects.

It also repeated its arguments that Tor, which makes anti-graffiti and anti-climbing paints among other products, would be able to expand from its base in north-east England with Barrow's backing.

Under the purchase agreement, Tor's present owners have promised not to sell their new shares, equal to 12 per cent of Barrow's expanded capital, without the agreement of the board. Barrow said that this provision was included at the request of Tor.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Blue Arrow	Jan 26	Final 0.8	Mercantile House	Jan 28	Interim 4.25
*Davy Corpn	Jan 21	Interim 1.1	*Racal	Jan 27	Interim due
*Dowty	Jan 21	Interim 2.3	*Reuters	Feb 11	Final 2.0
*Gold Fields SA	Feb 9	Interim 55c	Securicor	Feb 12	Final 0.673
Fitch Lovell	Jan 23	Interim 3.5	*Smith (W. H.)	Jan 28	Interim 2.0
London Scottish Finance	Jan 13	Final 2.1	*TSB	Jan 29	Final due
Lonrho	Jan 30	Final 7.0			
Magnet and Southerns	Jan 15	Interim 2.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisons shown below are based mainly on last year's timetables.

TODAY

Interims: Electronic Rentals, Gold Greenlees Trott, Harrison Industries, Samuel Heath, Mayfair City Properties, Park Food, Real Time Control, David S. Smith, Smith Whitworth, Tip Top Drugstores, Wigfalls.

Finals: Brooke Tool Engineering, Coline International, County Properties, KLP.

FUTURE DATES

Interims:

Ariel Industries	Jan 30
Beale (John)	Jan 22
Biotechnology Investments	Jan 27
Brunning	Jan 23
Centrovincial Estates	Jan 22
Mid Wynd Intnl Inv Tst	Feb 5
Wiggins	Jan 22

Finals:

Clarke Hooper	Jan 20
Domino Printing Sciences	Jan 29
Hodgson	Jan 22
Philips Lamps	Feb 26

I.G. INDEX
FT for January
1,401-1,407 (+1)
Tel: 01-828 5699

A Financial Times Survey
PLYMOUTH
The Financial Times proposes to publish a Survey on the above on
Tuesday April 7 1987
For further details, please contact:
CLIVE RADFORD
Financial Times
Merchants House
Wapping Road
Bristol BS1 4RW
Telephone: (0272) 292565
EUROPE'S BUSINESS NEWSPAPER
The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

FINANCIAL TIMES STOCK INDICES

	Jan. 16	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 9	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs.	85.43	84.88	84.82	84.57	85.23	85.31	94.51	80.39	127.4	49.18
Fixed Interest	91.52	91.35	91.26	91.25	91.47	91.43	97.68	86.55	150.4	50.53
Ordinary	1403.0	1406.9	1389.0	1393.9	1389.4	1386.4	1425.9	1094.3	1425.9	49.4
Gold Mines	333.0	338.7	335.5	326.3	337.5	324.9	357.8	185.7	734.7	43.5
FT-Act All Share	891.38	890.42	879.65	879.51	875.74	873.53	891.38	664.42	891.38	61.92
FT-SE 100	1789.0	1789.0	1765.2	1763.3	1755.6	1752.3	1789.0	1370.1	1752.3	986.9

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

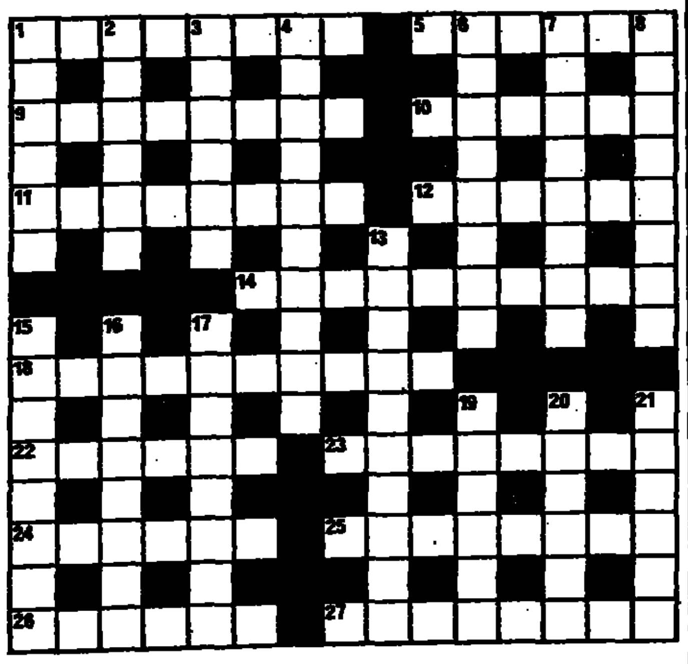
	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth		0345 717373		
High Income				
American Income	49.0	52.1	+0.5	5.04
Gilts & Fixed Int.	107.4	113.6	+0.6	10.56
High Inc Equity	103.1	109.6	+0.6	4.74
Worldwide Bond	204.1	217.1	−0.7	4.67
Capital Growth				
American Growth	162.7	173.0	+2.2	0.82
Asian Pacific	63.0	67.0	−0.5	1.69
Assets & Emgs. Tst.	117.6	125.1	+0.7	2.29
Capital Reserve	66.3	66.7	+0.1	1.57
Commodity & Engy.	106.4	113.1	+0.1	1.01
European Capital	99.9	106.2		1.20
General	148.0	157.4	+1.2	2.70
Japan	78.8	83.8	+1.0	0.0
Mastertrust	70.3	74.7	+0.4	2.19
UK Growth Acc Units	165.9	176.3	+1.1	0.90
UK Growth Dist.	113.4	120.4	+0.8	1.30
U.S. Emerging Co's	56.4	60.0	+0.2	0.08
Gilt/Eq Prog.	229.9	244.5	+1.6	2.95

Baring Fund Managers Ltd				
PO Box 156, Beckenham, Kent BR3 4XQ		01-658 9002		
Australia Tst	81.8	87.4	+0.3	0.3
Eastern Tst	75.6	80.8	−0.1	0.3
Equity Income Tst	63.4	67.4	+0.7	5.8
Europe Tst	144.5	153.7	+2.0	1.0
Global Growth	60.5	64.3	−0.2	2.2
Growth & Inc Tst	67.5	71.5	+0.4	3.0
Growth & Inc Tst Accum	105.2	112.2	+0.5	3.0
Japan Special Tst	110.1	117.2	+1.6	0.3
Japan Sources Tst	92.0	97.9	+1.4	0.3
First Europe Tst	125.4	133.4	+1.7	0.8
First Japan Tst	89.3	95.1	+0.7	1.1
First North America Tst	52.7	56.0	+0.3	1.1
First Smaller Cos Tst	72.0	76.5	+0.4	2.7
Barrington Mgmt Co Ltd (z)				
10 Fenchurch Street London EC3		01-623 8000		
American Smaller Co	65.5	69.1	+2.0	0.96
(Accum Units)	67.1	70.8	+1.9	0.96
European Fund	104.9	110.7	+1.8	1.19
(Accum. Units)	129.4	136.5	+2.2	1.19
Fund of Inv Ts	23.7	25.0	+0.2	1.93
(Accum. Units)	30.3	32.0	+0.2	1.93
General Fund	177.7	187.5	+2.7	2.78
(Accum. Units)	265.7	280.2	+3.8	2.78
Gilt Yield	110.2	113.5	+0.5	10.19
(Accum Units)	180.5	187.0	+0.6	10.19
High Yield	100.0	105.5	+0.9	4.80
(Accum Units)	203.0	214.2	+1.9	4.80

INSURANCES

FT CROSSWORD PUZZLE NO. 6,230

TANTALUS



ACROSS

1 & 5 Putting up with instructions is a military term (8, 6)
9 Surprisingly true—lose but determined (6)
10 Conclude organ has cause to be esteemed (6)
11 High standing attitude (8)
12 No man is one according to Donne (6)
14 Eve for example (10)
18 Oddly lads can love us to be disgraceful (10)
22 At home, *Mussolini could* persuade (6)
23 Capone returned annoyed with English game (8)
24 University in new state—that's shrewd (6)
25 Industrious student goes into editing for a change (8)
26 Way out fabric rejected by Son (6)
27 Forefather in France stored money (8)

DOWN

1 Excursion in Home Counties is a strain (6)
2 Rate a vessel—oriental one (6)
3 Become mixed with girl on instrument (6)
4 Race with friend all over the country? (10)
6 If here, you're close to blows! (4-4)
7 Get a lift across the Atlantic? (8)
8 Cut up about theologian being in hut (8)
13 Excitement—no time for feigning! (10)
15 Dropped by Cockney for last match (8)
16 He gives orders at random perhaps (8)
17 Teaches miners in speech? (8)
19 Commend policeman's first salary increase (6)
20 View a distinct feature (6)
21 Gambler improved (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

Canada Life Group
2-6 High St, Potters Bar, Herts P. Bar 51122

Equity Gth Sept 29	1.505		—	—
Retirement	5.361		—	—
Individual Pension—Distribution				
Managed Pen Fund	332.5	318.5	—	4.9
Property Pen Fund	132.1	139.1	—	—
Index-linked Pen Fd	128.2	135.0	—	—
Series C Pension—Accumulation				
International Pen Fd	191.2	201.3	—	—
Managed Pen Fd	173.2	182.4	—	—
Property Pen Fd	126.2	132.9	—	—
Index-linked Pen Fd	124.7	131.3	—	—
Gilt & Fxd Int Pen Fd	145.4	153.1	—	—
Equity Pen Fd	195.6	205.9	—	—
Managed Funds				
Managed	180.8	190.4	—	—
Property	128.0	134.8	—	—
Gilt & Fxd Interest	134.0	141.1	—	—
Index-linked	111.5	117.4	—	—
Equity	200.8	211.4	—	2.2
Cash	139.0	146.4	—	—
Midland Bank Unit Tst	195.7	206.1	—	—
Midland Bk Managed	195.7	206.1	—	—
Midland Bk Internat	228.2	240.3	—	—

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	350.6	371.0	+4.8	—
High Income	300.7	318.2	+2.8	—
Property	216.6	229.2	—	—
Managed	254.8	269.6	+2.0	—
Deposit	176.4	186.7	—	—
Gilt	177.8	188.1	+0.5	—
American	253.6	268.4	+2.1	—
International Money	199.6	211.2	-0.3	—
Index	108.6	114.9	+0.3	—
Far East	211.0	223.3	+1.4	—
Global	105.6	111.7	+1.5	—
European	110.0	116.4	+0.6	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Fund NAV ..... $20.57 | +0.32 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $18.23 | +0.10 | —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth ..... $10.60 | +0.24 | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $18.59 | +0.12 | —
Dynamic Gwth Fd ..... $20.71 | −0.21 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ..... $12.39 13.08 | — | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd — Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.39	7.77	11.40	3-mth
CAFCASH 7-day Fund	10.54	7.89	11.56	3-mth
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.75	11.19CAR		3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.57	7.9987	11.52	6mth
7-day Fnd	10.45	7.83	11.39	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.59	7.92	11.58	6-Mth
7-day Fund	10.48	7.85	11.29	6-Mth
Dollar	4.75	3.55	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chr Acc	10.25	7.50	10.80	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
Mnt Int Chq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.08	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.18	Mth
Barclays Prime Account — PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.06	Qtr
Benchmark Trust Ltd — 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Brown Shipley & Co Ltd				
Tyndall & Co — 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	10.59	7.92	11.44	Qtr
Money Acc	10.53	7.87	11.42	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth 0705 827733				
Special Acc	10.00	7.48	10.90	Mth
Over £10,000	10.25	7.66	11.17	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	11.00	8.22	11.94	Qtr
Wimbledon & South West Finance Co Ltd — 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.25	8.41	12.23	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	6
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	25	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	28	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
22Jul 22Jan	Exch. 13¼pc 1987	99	16.12	—	—
10 Aug 10 Feb	Treas 10¼pcCv '87	99	5.1	—	—
24Aug 24Feb	Exch 2½pc 1987	99¾	18.7	2.52	12.49
6Oct 6Apr	Exch. 10½pc 1987	99¾	1.9	10.52	10.97
1 Nov 1 May	Funding 6½pc 85-87	99	25.9	6.55	9.45
12Dec 12Jun	Treas. 10pc 1987	99	18.12	10.02	10.50
14Jan 14Jly	Treas 3pc 1987	97	8.12	3.07	7.73
3May 3Nov	Treas. 12pc 1987	101	29.9	11.87	10.43
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	97	22.12	7.93	10.14
10Nov 10May	Exch 10½pc '88	99	6.10	10.57	10.54
14Dec 14Jun	Treas 9¾pc Cv '88	98	18.12	9.86	10.59
1Jan 1Jul	Transport 3pc '78-88	93¾	25.11	3.21	7.84
25 Apr 25 Oct	Treas. 9½pc '88	98	18.9	9.67	10.59
22 Aug 22 Feb	Treas 11½pc 1989	101	16.1	11.32	10.67
18 Oct 18 Apr	Treas 9½pc Cnv 1989	97¾	11.9	9.71	10.57
15Nov 15May	Treas 3pc 1989	89	9.10	3.34	7.94
14Dec 14Jun	Treas 10½pc 1989	99¾	18.12	10.51	10.55
1Feb 1Aug	Exch.10pc 1989	98	29.12	10.13	10.60
29 Mar 29 Sep	Exch 11pc 1989	100	26.8	10.91	10.63
15 Apr 15 Oct	Treas 5pc 1986-89	90	1.9	5.52	8.92
15 May 15 Nov	Exch 10¼pcCv '89	100	9.10	10.17	9.92
15 Jul 15 Jan	Treas 13pc 1990‡‡	106	9.12	12.26	10.60
12 Aug 12 Feb	Exch 11pc 1990‡‡	101	6.1	10.88	10.60
22 Sep 22 Mar	Exch. 12½pc 1990	104	18.8	11.90	10.58
8 Nov 8 May	Treas. 3pc 1990	85	2.10	3.53	8.26
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	94	18.12	8.70	10.06
25 Apr 25 Oct	Treas. 10pcCv 1990	98	18.9	10.19	10.60
22 May 22 Nov	Exch 2½pc 1990	81	16.10	3.06	8.10
10 July 10 Jan	Treas 11¾pc 1991	103	4.12	11.32	10.54
5Oct 5Apr	Funding 5¾pc '87-91‡‡	87¾	1.9	6.54	9.29

AMERICANS

Dividends Paid	Stock
Ap Jy Oc Ja	Chemical New York
Mar Jun S D	Chesebrough-Pond's $1
Mar Jun S D	Chrysler $6¼
My Ag N F	Citicorp $4
Fb My Ag Nv	CityFed Fin. Corp.
F My Au N	Colgate-Palmolive $1
Mr.Ju.Se.De.	Colt Inds. $1
Fe My Au Nv	Cons Freightways $0.625
—	Contl Illinois Corp $1
—	Cont Illinois Hldgs $1
—	♦Corporate Data Scnce.
—	Colliort Silver $0.1
—	Damson Oil 40c
Mar Jun S D	Dana Corp. $1
—	Data General
—	♦Derma-Lock Medical
Mr Jn Sp Dc	Dun & Bradstreet $1
F My Au N	Eaton Corpn. 50c
MrJnSepDec	FPL Group $0.01
—	Fairmont Financial
Jan Apr Jly O	First Chicago $5
Mar Jun S D	Ford Motor $2
Mar Jun S D	GATX 62½c
April Oct	Gen. Elect. $1¼
—	♦General Host Corp $1
Mar Jun S D	Gillette $1
Fb.My.Aug.Nv.	Gt Am First Svgs Bk $1
Fe.My.Au.No.	Gt. Western Fin. $1
Ja Ap Jy Oc	Greyhound $1.50
Ja No Au My	Hasbro Inc $0.50
Mar Jun S D	Honeywell $1.50

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
May		♦Metsec 10p	76	13.10	L2.46	2.6	4.6	11.7
Jan	May	Mitchell Cotts	66	10.3	1.5	2.1	9.2	17.0
August		♦Monks & Crane 10p	120	22.12	L2.7	2.9	3.2	14.7
Jan.	July	Morgan Crucible	320	10.11	†8.5	1.5	3.7	21.3
May		♦Morris (W) F.A. 20p	20½	—	—	—	—	—
July		Myson Grp 10p	168	29.9	†2.63	2.6	2.2	21.7
Nov	June	♦NMW Computers	265	13.10	†6.0	3.6	3.2	15.2
Mar.	Sept.	Nash Inds.	128	11.8	1.5	♦	1.7	♦
—		Neill & Spencer 10p	17	3'82	—	—	—	—
Jan	July	Newman Inds 10p	37	15.9	†0.8	1.5	3.0	(28.3)
Apr	Sept	Noble & Lund 10p	91	29.9	0.7	4.3	1.1	30.0
April	Dec	Nolton	55	24.11	1.2	2.9	3.1	15.8
—		♦Norank Systems 5p	192	15.9	m1.5	—	1.4	19.5
Jan.	Aug.	Norcros	275	22.12	†9.3	2.3	4.8	12.6
Oct.	Apr	Nu-Swift 5p	222	27.10	†3.5	2.1	2.2	29.9
May	Nov	OCE 9pc Cnv 1987-92	£287½	27.10	Q9%	—	3.1	—
Feb.	Aug.	Oakwood Grp.	128	27.1	4.0	♦	4.8	♦
Dec	July	Office & Elect	190	27.10	8.5	2.9	6.3	7.7
—		♦Omnitech 1p	32	—	—	—	—	—
—		♦Optometrics $0.01	23	—	—	—	—	—
May	Nov	Oriflame £1	815	29.9	†28.5	2.1	4.9	15.8
Jan.	June	Ovenstone 12½p	64	12.5	‡Q3.25c	1.9	16.7	3.2
December		♦PCT Grp 10p	125	15.9	d3.2	—	5.3	—
April		PLM 'B' Sk 25	£26¾	3.4	Q23.2%	0.3	3.6	—
June		♦Pacer Systems $0.01	170	25.4	L‡Q1.8c	4.3	1.4	15.0
Apr.	Dec.	♦Pacific Sales 10p	48	15.9	3.0	1.4	8.8	11.4
Apr	Nov	Parker Knoll 'A'	523	29.9	12.0	3.2	3.2	13.7
February		♦Parkfield Group 2p	211	11.8	†3.4	4.2	2.4	13.4

INSURANCES

LEISURE

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		Leisure Inv 10p	63½	16.12	0.36	7.4	[illegible]	[illegible]
Jan	Jul	Leisuretime Int 10p	72	11.8	†2.3	0.9	[illegible]	[illegible]
—		♦Lexmar	194	8.12	‡2.63	3.4	[illegible]	[illegible]
—		♦Marina Dev. 50p	80	—	R3.13	3.0	[illegible]	[illegible]
—		Mecca Leisure 10p	172½	—	L4.1	♦	[illegible]	[illegible]
Mar	Oct	♦Media Tech Int 20p	105	15.9	2.8	4.5	[illegible]	[illegible]
Apr.	Dec.	Medminster 10p	165	24.11	6.25	1.9	[illegible]	[illegible]
February		♦Midsummer Leis. 50p	450	22.12	4.0	♦	[illegible]	[illegible]
Oct	May	♦Miss World 10p	180	1.9	†5.2	3.3	[illegible]	[illegible]
May	Oct	Nationwide Leisure	63½	12.5	†3.75	2.5	[illegible]	[illegible]
—		♦Nimslo Int 20c	11	—	—	—	[illegible]	[illegible]
—		Orient Ex Hds $0.125	182	1'84	—	—	[illegible]	[illegible]
	July	♦Owners Abroad 3p	49½	28.4	1.5	2.3	[illegible]	[illegible]
—		Playtax (Lon.)	78	4'82	—	—	[illegible]	[illegible]
Apr	Sept	♦P'gilly Radio-NV 5p	43	11.8	2.0	♦	[illegible]	[illegible]
—		♦Pineapple 10p	72½	12'84	—	—	[illegible]	[illegible]
Sept.	Apr.	Pleasurama 5p	340	11.8	†7.5	3.6	[illegible]	[illegible]
Sept.	Mar.	Do. 7pcCvCmRedPf	154	11.8	7%	—	[illegible]	[illegible]
Apr	Nov	Prestwich	117	27.10	0.85	6.9	[illegible]	[illegible]
—		♦Radio City 'A' NV	48	12'84	—	—	[illegible]	[illegible]
Jan	July	♦Radio Clyde N/V	58	22.12	3.5	1.6	[illegible]	[illegible]
May	Nov	Really Useful Grp 5p	341	27.10	11.25	2.2	[illegible]	[illegible]
—		Riley Leisure 10p	52	10'84	—	—	[illegible]	[illegible]
Apr.	Nov.	Saga Hols. 20p	162	28.7	4.6	2.6	[illegible]	[illegible]
Apr	Nov	Samuelson Grp 20p	215	30.6	2.4	6.5	[illegible]	[illegible]
Jan	July	♦Sangers Photo 10p	81	10.11	♦†2.2	1.5	[illegible]	[illegible]
July	Dec	Scaard 20p	183xr	27.10	†4.0	3.5	[illegible]	[illegible]
Dec	May	Scot. TV 10p	347	27.10	†10.5	3.3	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Aug.	Feb.	Cons. Murch. 10c	£14½	12.1	Q60c	4.4	4.9
—		♦Eanex Int. 1r10p	45	—	—	—	—
—		Greenwich Res.	172	—	—	—	—
—		♦Highwood Res.	225	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£18⅛	29.10	Q20c	—	0.7
—		♦McFinley Red Lake	362	—	—	—	—
—		♦Musto Explorations	136	—	—	—	—
—		♦New Sabina Res C$1	39	—	—	—	—
—		Northgate C$1	327	9'77	—	—	—
Jan.	July	RTZ	794	27.10	22.0	2.4	4.1
Jan	July	Do. 9¼pcLn '95-2000	£156¼	27.10	Q9¼%	15.5	f6.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	62	......	Fin. 13% 97/02	£101½	+¼
Craig & Rose £1	£14¼	......	Arnotts	395	......
Finlay Pkg. 5p	53	......	CPI Hldgs	57	+2
Holt (Jos) 25p	835	......	Carrol Inds.	161xd	......
IoM Stm. £1	76	......	Dublin Gas	10	......
			Hall (R. & H.)	102	......
IRISH			Helton Hldgs.	29	+1
Fund 11¼% 1988	£97¾	......	Irish Ropes	145xd	......
Nat. 9¾% 84/89	£92¾	......	Unidare	318	......

" Recent Issues " and " Rights " Page 23
(International Edition Page 32)

BUILDING

Egyptian contracts for UK companies

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

TWO BRITISH companies have won contracts worth a total of £64.9m for military building work in Egypt.

The largest has gone to a Trafalgar House subsidiary, the specialist steel fabricator DORMAN LONG OVERSEAS, which also worked on the steel structure of the Hong Kong and Shanghai Bank.

DLO has been awarded a £32m contract by Egypt's Ministry of Military Production for supplying 19,000 tonnes of structural steelwork for a military workshop complex 45 kilometres from Cairo.

It has also won an £8m contract to supervise steel fabrication in Egypt, and erection of the buildings on site.

Designed for servicing armoured vehicles, the complex consists of a large main workshop and 13 smaller stores and support buildings.

Half the steel—principally the technically complex structures such as the supports for the large overhead cranes in the main workshop—will be fabricated at Trafalgar's Cleveland Bridge works at Darlington.

The remaining, less complicated, structures will be fabricated under Dorman Long Overseas' supervision on site.

All the steel will be supplied by the British Steel Corporation. Work on the contract has started, for completion in January 1989.

It will be working with a major private sector Egyptian company, the contractor AYOUBCO SAE.

The second major contract has gone to UBM Overseas, the Bristol-based exporting arm of the Norcros building materials group.

UBM Overseas has notched up its largest-ever order with the award of a £24.9m contract to supply building materials and construction equipment for a new military township at El Hammem, west of Alexandria.

The company will supply the materials for the township—which include steel sections, doors and window fittings—over a two-year period.

UBM Overseas won the contract after negotiations as a result of its previous experience working in Egypt, and its expertise in bringing together a wide range of subcontractors.

Nuclear services

PRESS CONSTRUCTION has won its biggest-ever project in the nuclear industry. The industrial engineering division has now secured a £21.5m contract for the mechanical and electrical installations in the massive new liquid waste treatment plant at AWRE Aldermaston. Under the Property Services Agency contract, Press is to supply and install fabricated pipework, cabling and heating and ventilating ducting in the cellular re-processing building. The company, which plans to run the task as a self-supporting autonomous project, will also erect process and service equipment and machinery, install electrical and instrumentation services, and provide supporting steelwork. The extremely high quality standards applicable throughout construction will be monitored by strict quality-control regimes backed by comprehensive inspection and non-destructive testing programmes. Commissioning of all plant and pipe systems is included in the contract. Scheduled for completion in the spring of 1988, the project will provide employment for up to 300 specialist tradespeople. Press also anticipates some recruitment of skilled personnel to build up the site force.

Hong Kong housing

The Hong Kong government has awarded a contract worth A $200m (£90m) to a joint venture of LEIGHTON HOLDINGS of Australia and AOKI CORP of Japan to construct a housing estate.

The project involves construction of 24 high-rise appartment blocks on a 5.6 hectare site at Chuk Yuen West in the New Territories.

The joint venture was appointed under the private sector participation scheme of the Hong Kong Housing Department.

Construction is expected to begin next month and is scheduled for completion two years later.

£30m orders for Monk

Over £30m of contracts for building and civil engineering work have been awarded to A. MONK & CO. They include: the Bridport link road for the Department of Transport valued at £4.5m, which involves construction of 2.9 km single carriageway, a 130-metres long viaduct, an overbridge and three box section structures. At Dorcester Monk will build an underline bridge for British Rail, valued at £1.1m as part of the advance works for the Dorcester bypass. The Cardiff central link road for the County Council of South Glamorgan is valued at £12.5m, for construction of 1.5 km dual two-lane carriageway, a 250-metre long viaduct and various other structures. Two contracts totalling £2.3m will be carried out for the British Sugar Corporation, one at Bardney in Lincolnshire for a new stores, and a beet flat pad with track work construction at King's Lynn. At Duxford a two-storey production building for Ciba-Geigy is being built, worth £3.1m. A pumping station and central building is to be built at Hammersmith for Thames Water Authority, at £1.2m. Alterations and adaptions at £1.4m will be carried out on the main warehouse building of Mattessons Walls in Manchester. Included in these awards are contracts for the Monk tunnelling division valued at £2.04m, involving a pipejacked tunnel in Sunderland for £1.19m and tunnel repairs at Bristol valued at £14m to be carried out by Ferro Monk.

★

BRYANT CONSTRUCTION has been awarded contracts worth over £17m. The largest, from London & Edinburgh Trust, is for the initial phase of the Guildford Business Park, an £11m contract for four hi-tech units of two and three storey precast concrete construction with a total floor area of 18,000 sq metres, car parking and site works. Other awards of £1.75m include a further contract on the trading estate for Slough Estates, and rebuilding of period offices at Maidenhead for the Golden Oak Partnership. Retail developments awarded by Bryant Properties are worth a total of £4.5m.

★

Among orders, totalling £1.3m, for relocatable Hallamcabin and Lincpac Buildings, VIC HALLAM include a third extension to the Lincpac office complex for the Joint European Torus project at Culham Laboratories, Oxfordshire. This brings the total area of the J.E.T. Lincpac offices to 2,470 sq metres.

DIARY DATES

Trade fairs and exhibitions: UK

Current
International Light Show (05884 658) (until January 22)
Olympia

January 20-22
Office and Contract Interiors Exhibition — DESIGN (01-868 4499) Design Centre

January 22-25
Ideal Home Exhibition (0202 296275)
Metro Exhibition Hall, Brighton

January 22-25
Holiday and Leisure Spectacular (01-583 9199)
Kensington Exhibition Centre

January 27-29
Hirex Exhibition (01-688 7788)
Wembley Exhibition Hall

January 31-February 4
British International Toy and Hobby Fair (01-701 7127)
Earls Court

February 1-5
International Spring Fair (Gift section 01-855 9201, Hardware section 0604 22023)
NEC, Birmingham

February 3-4
Entrepreneurs' Exhibition (01-493 0000)
Royal Garden Hotel, W8

February 10-11
Computers in Tax Exhibition (0732 364422) Bloomsbury Crest

February 10-12
Refrigeration and Air Conditioning Exhibition (01-686 9200)
Wembley Conference Centre

February 12-15
Crufts Dog Show (01-493 7838)
Earls Court

February 14-22
Boat, Caravan and Leisure Show (021-236 3366) NEC, Birmingham

Overseas

Current
International Oil and Gas Chemical and Process Engineering Industries Exhibition and Conference—CHEMTECH AND ORT (01-221 2043) (until January 20)
Bombay

Hong Kong Fashion Week (01-930 7955) (until January 21)
Hong Kong

January 31-February 8
Caravan, Camping, Car, Boat, Garden and Tourism and Leisure Exhibition (01-651 2191)
Hanover

February 21-25
International Fair for Shopfitting, Advertising and Selling—EUROSHOP (01-493 3893)
Dusseldorf

February 21-25
Spring Fair (01-734 0543)
Frankfurt

February 25-March 3
International Fairs: Food; Materials Handling and Warehousing: Packaging and Printing (021-455 9600)
Brno

Business and Management Conferences

January 19
International Business Communications: Long-term finance for commercial property development (01-236 4080)
London Press Centre, EC4

January 20
IBC Legal Studies and Services: The annual company report (01-236 4080) Portman Hotel, W1

January 21-22
IBC: Control accounting and taxation of bank risk (01-236 4080) Café Royal, W1

January 22
The Strategic Planning Society: Strategic issues for the 1990s—new frontiers? (01-235 0246)
6 John Adam Street, WC2

January 26-27
Brunel Management Programme: Managing stress at work (0895 56461)
Brunel University, Uxbridge

January 27
Longman Seminars: Relief from Capital Gains Tax (01-242 4111)
Barbican Centre, EC2

January 27
NEDO: Who benefits from corporate venturing? (01-211 3100)
Café Royal, W1

January 28-30
Insurance and Reinsurance Research Groups: Cargo insurance clauses international workshop (01-236 2175)
Tower Hotel, EC3

January 28
IBC Legal Studies and Services: Takeovers and acquisitions in the US—the key issues (09323 55244)
London Press Centre, EC4

January 28
CCH Editions: The practical implications of the Financial Services Act (01-491 1322)
Hyde Park Hotel, SW1

January 29-30
Financial Times Conferences: The Second FT Defence Conference—entering the American market (01-621 1355)
Hotel Inter-Continental, W1

January 30
Oracle Business Information: Basic accounting for life offices (01-727 3503)
CFS Conference Centre, W1

February 3-4
Crown Eagle Communications: Successful public relations (01-242 4111) Holiday Inn, NW3

February 3-6
INSEAD: Foreign currency options workshop (with BancAmerica Options Inc) ((1)60.72.42.14) Fontainebleau

February 5-6
VentureCorp: Leveraged buy-outs in Europe (01-482 5397)
The Dorchester Hotel, W1

February 10
Longman Seminars: Film and television production—evaluation and management of risk (01-242 4111)
Barbican Centre, EC2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

GRANVILLE
SPONSORED SECURITIES

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E
4,893	Ass. Brit. Ind. Ordinary	144	+8	7.3	5.1	8.8
—	Ass. Brit. Ind. CULS	149	+3	10.0	6.8	—
875	Armitage and Rhodes	35	—	4.2	12.0	5.9
5,962	BBB Design Group (USM)	72	+2	1.4	1.9	17.1
69,116	Bardon Hill	215	—	4.6	2.1	24.4
5,405	Bray Technologies	98	+1	4.3	4.4	11.6
465	CCL Group Ordinary	130	—	2.9	2.2	9.2
1,238	CCL Group 11pc Conv. Pf.	99	—	15.7	15.9	—
16,317	Carborundum Ordinary	272	+2	9.1	3.3	13.1
651	Carborundum 7.5pc Pf.	93	+1	10.7	11.5	—
1,661	George Blair	90xd	−1	3.8	4.2	2.3
3,940	Ind. Precision Castings	97	—	6.7	6.9	8.7
10,675	Isis Group	134	−6	18.3	13.7	7.7
6,405	Jackson Group	123	—	6.1	5.0	8.4
44,966	James Burrough	321	−2	17.0	5.3	9.0
3,152	James Burrough 9pc Pf.	90	+1	12.9	14.3	—
51,465	Multihouse NV (AmstSE)	660	−60	—	—	34.6
8,096	Record Ridgway Ordinary	352	—	—	—	6.3
2,241	Record Ridgway 10pc Pf.	83	—	14.1	17.0	—
918	Robert Jenkins	90	+1	—	—	4.0
2,070	Scruttons	48	+1	—	—	—
3,490	Torday and Carlisle	143	+2	6.7	4.0	8.7
1,464	Trevian Holdings	323	−1	7.9	2.4	6.7
14,600	Unilock Holdings (SE)	73	—	2.8	3.8	13.4
30,851	Walter Alexander	119	—	5.0	4.2	11.4
4,551	W. S. Yeates	195	—	17.4	8.9	19.5
4,113	West Yorks. Ind. Hosp. (USM)	97	+1	5.6	5.8	13.9

Granville & Co. Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

Contracts and Tenders

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE
INVITATION TO TENDER

Tenders are invited for the supply of 19,000 tonnes of bagged soft wheat flour to Sudan for delivery on F0 stowed and trimmed terms to an EEC port. Loading shall commence no earlier than 12th February 1987 and no later than 26th February 1987 for 15 days.

The price for the supply and transportation costs of the soft wheat flour for the above tenders will be determined on examination of the tenders which must be submitted by noon on 29th January 1987 to: Branch B (Cereals) Internal Market Division, Intervention Board for Agricultural Produce, Fountain House, 2 Queens Walk, Reading, Berks RG1 7QW. Tel: Reading (0734) 583626 Ext 529.

Notices of invitation to Tender together with Tendering Forms may also be obtained from the above address.

LANDFILL GAS EXPLOITATION SCHEME

Bedfordshire
A Nuclear Free Zone

Bedfordshire County Council have received a Consultant's Feasibility Study Report which indicates a potential of 2 million therms of landfill gas a year for a minimum of 10 years at its Sundon landfill site near Luton.
The Council invites enquiries from companies interested in commercially exploiting the energy potential of the gas.

For further information call Gower Keeling on Bedford 228602 or write to The County Surveyor (Waste Disposal), Bedfordshire County Council, County Hall, Bedford MK42 9AP.

SOCIETE CENTRALE DE BANQUE
$US 50.000.000
FLOATING RATE NOTES DUE 1995

For the six months, January 5, 1987 to July 5, 1987, the rate of interest has been fixed at 6 7/16% P.A.

The interest due on July 6, 1987 against coupon nr 4 will be $US 325,45 and has been computed on the actual number of days elapsed (182) divided by 360.

THE PRINCIPAL PAYING AGENT,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Company Announcements

FORMATION OF INTERNATIONAL VALVE SPRING WIRE MANUFACTURERS ASSOCIATION

Four principal manufacturers of steel valve spring wire recently met in Washington D.C. to establish a new trade association, known as the International Valve Spring Wire Manufacturers Association. Valve spring wire is used in the manufacture of valve springs for combustion engines and other related purposes.

The four founder members are American Spring Wire Corporation of Bedford Heights, Ohio, Garphyttan Hesselman AB of Garphyttan Sweden, Sanko Senzai Kogyo Co. Ltd. of Kyoto, Japan, and Suzuki Metal Industry Co. Ltd. of Tokyo, Japan.

The objectives of the Association include the promotion of the use of Valve Spring Wire and the improvement of the members services to their customers and the general public. One of the primary goals of the association is to develop standards for valve spring wire.

At the organisational meeting of the Association, Lawrence O. Selhorst of the American Spring Wire Corporation was elected President. The Vice Presidents are Mr Lars-Ake Helgesson of Garphyttan Hesselman AB, Mr Torao Takemika of Sanko Senzai Kogyo Co. Ltd. and Mr Shuji Murayama of Suzuki Metal Industry Co. Ltd. Mr Junji Sonaka of Suzuki will be the Association's Secretary and Mr Mats Kalvemark of Garphyttan will serve as Treasurer.

Anyone requiring more information from within the U.K. should address their enquiry to Garphyttan Hesselman Ltd., Hilton Road, Aycliffe Industrial Estate, Newton Aycliffe, Co. Durham DL5 6SX.

NATIONAL BANK OF CANADA
$US 100.000.000
FLOATING RATE DEPOSIT NOTES DUE APRIL 1995

For the three months, January 7, 1987 to April 6, 1987, the rate of interest has been fixed at 6 5/8% P.A.

The interest due on April 7, 1987 against coupon nr 8 will be $US 165,63 and has been computed on the actual number of days elapsed (90) divided by 360.

THE PRINCIPAL PAYING AGENT,
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Company Notices

COMPAGNIE FINANCIERE DE PARIBAS
EMPLOYEE SHARE OFFER

Any former employee of:
Banque Paribas London Branch
Banque Paribas Capital Markets Ltd
Quilter Goodison Company Ltd
or any Subsidiary or Predecessor thereof
having had five or more years' service may be eligible to participate in the above offer on preferential terms.

If you think you qualify, please contact, by January 23, the relevant Staff Manager on:
Banque Paribas Capital Markets Ltd 355 2000
Banque Paribas London Branch 929 4545
Quilter Goodison Company Ltd 600 4177
This notice has been issued by Banque Paribas London Branch
Date published: 19 January, 1987

TRAFALGAR FUND
Société Anonyme d'investissement
Registered Office:
Luxembourg, 14 rue Aldringen
Commercial Register:
Section B No. 8202

The Annual General Meeting of Shareholders of TRAFALGAR FUND S.A. will be held at its registered office, 14, rue Aldringen, Luxembourg, on January 27th, 1986 at 15.00 hours for the purpose of considering and voting upon the following matters:
1. To hear and accept the reports of: (a) the directors (b) the statutory auditor
2. To approve the balance sheet and the profit and loss account as at August 31st, 1986.
3. Allocation of net profit.
4. To discharge the directors and the auditor with respect to their performance of duties during the period ended 31st August, 1986.
5. To elect the directors to serve until the next annual general meeting of shareholders.
6. To elect the auditor to serve until the next annual general meeting of shareholders.
7. Any other business.

In order to take part at the statutory meeting of January 27th, 1987, the owners of bearer shares will have to deposit their shares five business days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg, or with one of the following Banks:
—Banque Générale du Luxembourg, S.A., 14, rue Aldringen, Luxembourg
—J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS

THE BOARD OF DIRECTORS

NOTICE OF ADJUSTMENT IN CONVERSION RATE
AMEDCO INTERNATIONAL FINANCE N.V.

7½ PER CENT. CONVERTIBLE BONDS DUE 1998

As a result of a three-for-two stock split of the outstanding Common Stock of Service Corporation International payable January 31, 1987 to stockholders of record as of the close of business on January 8, 1987, the 7½ per cent. Convertible Bonds due 1998 of AMEDCO International Finance N.V. will be convertible, on and after January 8, 1987 at the rate of 25.5320 shares of Common Stock of Service Corporation International for each $1,000 principal amount of the Bonds.

SERVICE CORPORATION INTERNATIONAL
AMEDCO INTERNATIONAL FINANCE N.V.

January 8, 1987.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Personal

BUSINESS OPPORTUNITY SWITZERLAND. Small HVAC Contracting/Engineering firm (Aktiengesellschaft) for sale, established 50 yrs. with good references. Located in town between Zurich and St. Moritz with favourable tax law. Contact Mr. A. Schibli P.E. at the N.Y. Mariott Marquis from 19th to the 23rd of January.

Legal Notices

No. 008263 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division. Re:
SEDGWICK GROUP plc
and Re: The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 8th October 1986 confirming the reduction of the Share Premium Account of the above-named Company from £168,841,755.46 to £184,148.48 was registered by the Registrar of Companies on the 12th December 1986.
DATED the 2nd January 1987.
LINKLATERS & PAINES
Solicitors to the Company

No. 006776 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division. Re:
PEARL ASSURANCE PUBLIC LIMITED COMPANY
and Re: The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 15th December 1986 confirming the reduction of the capital of the above-named Company from £2,560,000 to £449,967.25 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 31st December 1986.
DATED the 9th January 1987.
LINKLATERS & PAINES
Solicitors to the Company

ALCAN AUSTRALIA LIMITED
U.S.$75,000,000
Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 16th January 1987 to 16th July 1987 has been fixed at 6.4375 per cent per annum.

On 16th July 1987, interest of U.S.$323.65 per U.S.$10,000 nominal amount of the Notes, will be due against interest Coupon No. 11.

SWISS BANK CORPORATION INTERNATIONAL LIMITED
Reference Agent

WORLD STOCK MARKETS

AUSTRIA

1986-87 High	Low	Jan. 16	Price Sch
2,660	2,105	Credit'nst'lt pp	2,130
3,850	3,075	Goesser	3,110
16,000	12,700	Interunfall	13,200
21,750	11,000	Jungbunzlauer	11,100
2,475	1,950	Laenderbank	2,100
795	560	Perlmooser	655
211	150	Steyr Daimler	155
12,500	8,850	Veitscher Mag	11,030

BELGIUM/LUXEMBOURG

1986/87 High	Low	Jan. 16	Price Frs.
5,500	2,290	B.B.L	5,110
16,580	9,600	Banq. Gen. Lux.	16,000
17,000	9,400	Banq. Int.A.Lux.	16,150
14,500	8,250	Bekaert	10,050
4,660	2,640	Ciment CBR	3,970
195	120	Cockerill	136
3,240	1,652	Delhaize	2,800
5,110	3,580	EBES	4,910
17,350	10,425	Electrobel	14,925
2,700	1,810	Fabrique Nat.	1,836
9,520	3,580	GB Inno BM	9,520
4,525	2,695	GBL (Brux)	3,610
6,800	4,310	Generale Bank	6,350
6,850	4,750	Gevaert	6,040
8,150	5,700	Hoboken	7,940
3,995	2,880	Intercom	3,900
4,450	2,430	Kredietbank	4,070
11,650	9,900	Pan Holding	10,700
9,980	6,050	Petrofina	9,490

DENMARK

GERMANY

SWEDEN

NORWAY

FRANCE

ITALY

NETHERLANDS

FINLAND

HONG KONG

AUSTRALIA

SINGAPORE

SWITZERLAND

SOUTH AFRICA

JAPAN

SPAIN

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices January 16

MONTREAL

Closing prices January 16

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER

Nasdaq national market, Closing prices, January 16

Continued from Page 31

Indices

NEW YORK

NEW YORK ACTIVE STOCKS

CANADA

** Saturday January 10: Japan Nikkei (c). TSE (c). Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

Closing prices, January 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅝	17	AAR s	.50	1.9	19	253	27½	27	27	−¼
30½	21¾	ADT	.92	3.1		204	29½	29	29⅜	−⅜
36⅜	17	AFG s	.12i	.3	11	363	36⅜	35	35¼	−1
34⅞	16¾	AGS			21	671	33¼	31½	31½	−2
15	6¾	AMCA				123	7⅜	7⅛	7¼	+⅛
62⅛	39⅜	AMR			14	9267	58⅝	56⅝	58⅜	+2¾
24¾	20⅛	ANR pf	2.12	8.7		12	24½	24½	24½	
16½	10	ARX	.71t	6.1	11	118	11⅞	11½	11⅝	
41½	28¾	ASA	2a	5.1		729	39¾	39⅛	39½	+⅛
18⅜	9¾	AVX			22	3616	14¾	14⅝	14⅝	
32	28	AZP	2.72	8.8	9	1478	31⅛	30⅞	31	−⅛
55	31⅝	AbtLb s	.84	1.6	23	5166	52½	51¾	51½	+⅜
32	25	AccoWd	.56	1.9	19	242	29⅝	28¾	28⅞	−⅞
14½	8	AcmeC	.40	3.6		257	11⅝	11⅛	11⅛	−⅛
9¼	6⅛	AcmeE	.32b	4.4	19	8	7¼	7⅛	7¼	
23⅞	17½	AdaEx	3.42e	16.		158	21¾	21¼	21¼	−¼
16⅝	9¾	AdmM s				109	15⅝	15¾	15⅞	−⅛
20⅝	12⅛	AdvSys	.62	3.3	15	144	19¼	18⅞	18⅞	−⅛
32⅞	12⅞	AMD				9397	18¼	17	17⅜	−⅞
12⅝	5¼	Adobe				160	8⅝	8⅛	8⅛	−½
18⅜	13¾	Adob pf	1.84	11.		x26	17¼	16¾	17¼	+⅜
20⅝	16⅝	Adob pf	2.40	12.		x116	19⅝	19	19⅝	−½
18⅝	11½	Advest	.12a	.9	10	291	14	13¾	13⅞	−¼
66¾	52¼	AetnLf	2.64	4.4	9	4110	60¾	60⅛	60⅝	−⅛
64⅝	51⅛	AetL pf	3.94e	7.6		41	52½	52	52	−⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅝	5¾	Patten s.08t	6.6	16	1283	15⅝	14⅞	14¾	−⅞	
19⅝	8½	PayNP .40	3.3	13	124	12⅛	12	12	−⅛	
27½	14⅞	PayCsh .16	.7	17	1498	21⅞	21⅛	21⅝	+⅝	
62½	51⅝	PenCen .05	.1	24	2494	54⅞	53¾	54⅞		
86⅝	53⅛	Penney 2.48	3.2	13	1585	78	77⅛	77¾	−¼	
43⅝	27⅝	PaPL 2.60	6.6	14	848	39¼	39¼	39⅛	−⅛	
55⅛	40⅛	PaPL pf4.40	8.1		z100	54	54	54	−½	
54	38½	PaPL pf4.50	8.8		z10	51¼	51¼	51¼	−¾	
101½	77¼	PaPL pf8.60	8.5		z450	u102	101	101⅝	+¾	
110½	86¼	PaPL pr 11	10.		z30	105⅛	105⅛	105⅛	−1⅛	
96⅝	69	PaPL pr 8	8.5		z10	94¼	94¼	94¼	−½	
100	77	PaPL pr8.70	8.7		z1030	u100¼	99⅝	99½	−½	
59	41½	Pennwlt 2.20	4.0	21	110	55½	54¾	54⅞	−⅛	
34¾	24½	Pennw pr1.60	5.0		27	32¼	31⅞	32¼		
77⅝	49⅛	Pennzol 2.20	3.2	67	1279	70⅛	68½	69⅛	−⅞	
24⅝	18⅞	PeopEn 1.32	5.5	11	834	u24½	24	24	−¼	
48¼	25⅝	PepBoy .22	.5	32	1241	48¼	46	46⅞	−⅛	
35⅝	22	PepsiCo .64	2.1	18	18258	30¾	30⅛	30⅛		
13⅛	10⅝	PerkF n.25e	2.2		116	11⅝	11¼	11⅝	−⅛	
36⅞	23⅛	PerkEl .80	1.9	21	2615	31⅝	31	31½	+¼	
7½	5½	Prmlan .60e	8.6	6	2326	7¼	7	7	−¼	
20⅞	12	PeryDr .22	1.6	24	253	14⅛	13⅞	14	−⅛	
35¾	22⅞	Petrie s .70	2.5	16	346	27⅞	27¼	27½	−⅛	
33	22¾	PetRs 2.57e	8.0		121	32⅝	32	32	−⅜	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¾	10⅞	SabnR 1.43e	10.	8					−⅝	
16⅞	10	SigdSc		17	391	16½	15¾	15¾	−⅝	
5¼	3¾	SigdS wt			110	5¼	4⅞	5	−⅛	
39¼	27	SaftKln .32	.9	29	375	36	35	35	−⅞	
39	22⅞	StJoLP 1.88	5.0	11	17	37¾	37½	37½		
17½	8	viSalant		10	214	10⅛	10	10⅛	−¼	
74¼	33¼	SallieM .36	.5	23	876	73⅛	71	71	−2¼	
52¾	49⅛	SallM pf2.56e	5.1		5	50½	50½	50½		
50⅝	37⅝	Salomn .64	1.5	11	9543	43¾	42⅞	43¼	+¼	
42½	27⅝	SDieGs 2.38	6.6	10	1225	36½	35⅞	36¼	−¼	
8⅞	6⅝	SJuanB .45e	5.5		1926	8⅝	8	8⅛	−¼	
17⅞	8¼	SJuanR 2c			31	9¼	9¼	9¼		
33¾	24	SAntRt 2.04	6.2	19	207	u33	31¾	33	+1	
26⅝	18¼	SFeEP 2.88	15		152	19¼	18⅞	19⅛	−¼	
38⅝	26¼	SFeSoP 1	3.0	22	3245	33	32¼	33	+⅝	
39⅝	23½	SaraLee			2382	39¼	38	39	−⅛	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¾	16¼	Triain s .12	.4	8	1346	30	29	29½		
29¾	16⅛	Triind pf.12	.4		19	27⅛	27	27⅛	+⅛	
78	49½	Tribune 1.20	1.8	9	1804	68	65¾	66½	+1⅛	
4¼	1⅜	Tricntr .04e	1.6		88	2⅝	2½	2½		
7⅞	4⅞	Trico .20	2.6	18	x151	7⅞	7¾	7¾	+⅛	
20½	13¼	Trinty .50	2.5	54	2878	20⅜	19⅝	19⅞	−⅝	
54¾	31	Trnov s 1	1.8		1001	u55½	54½	55¼	+½	
25⅝	15⅜	TritEng .10b	.6	13	85	17⅞	17¼	17⅜	−½	
28⅛	20¾	TritE pf 2	8.0		73	25½	24¾	25	−⅜	
65	41	TucsEP 3.30	5.3	14	230	62¾	61⅞	62	−¾	
23⅞	9⅜	Tultex s .32	1.4	19	1362	u24	22½	23¼	−⅜	
18¾	14¼	TwinDs .70	4.0		89	17⅝	17¼	17½	−⅛	
48	24¾	TycoL s .40	.9	19	875	47⅛	46	46¼	−⅝	
17¾	11¼	Tyler .40	2.9	20	145	14⅜	13½	13⅞	−⅝	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¼	54	Xerox pf5.45	9.7		5	56	55⅞	56	−⅛	
28⅝	21½	XTRA .64	2.3		364	27⅝	27¼	27½	−⅜	
19	13½	Yorkin n			114	18⅝	18⅜	18½		
6⅝	2¼	Zapata			637	4	3⅞	3⅞	−⅛	
43⅞	20¾	Zayre s .32	1.2	18	2928	26¼	25⅞	26⅛		
17	9¾	Zemex .40	3.4	19	22	12	11¾	11⅞	+⅛	
29⅞	17⅞	ZenithE			2541	25	24⅝	24⅞		
16¼	6	ZenLb s		65	1980	9¼	8⅝	8¾	−⅜	
22⅝	12⅝	Zero s .29	1.7	17	257	17	16⅝	16⅞	−⅛	
45¾	32¾	Zurmin 1.32	3.2	16	200	41⅛	40	40¾	+⅝	
10⅝	6¾	Zweig n.10e	1.0		732	9⅞	9⅝	9⅝	−¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, January 16

OVER-THE-COUNTER

Nasdaq national market, closing prices, January 16

Continued on Page 29

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

White House shows no concern as dollar falls

IF THE general level of forecasts for fourth quarter US Gross National Product growth proves correct the impact on the dollar is unlikely to be very great.

The preliminary GNP figure will be announced on Thursday. According to a survey conducted by Money Market Services, the median figure among forecasters is 2.8 per cent, unchanged from the third quarter. On the other hand MMS itself expects growth of only 1.8 per cent, which is more likely to have an influence on the foreign exchanges since it will provide another reason to sell the dollar.

The most important figure of the month for the market will not be published until the following week, however, but rumours are already beginning to circulate about the US trade figures for December, due on January 30.

Forecasts of a deficit in the region of $20bn, or possibly more, contributed to the dollar's fall last week. The dollar had fallen below DM 2.00 just before Christmas, but it was the record US trade deficit of $19.22bn in November that set the seal on the currency's continued decline as 1986 ended.

By last week dealers were beginning to talk in terms of a dollar rate *against the D-Mark of DM 1.80 in the* near future. From there the all time record closing low of DM 1.7070 touched *in London* on *December 3* 1979 and the trading low of around DM 1.70 hit in January 1980 will be within sight.

It would be a brave dealer who believed the market would not see these as targets for early attack.

A fall in US housing starts in November should be reversed in December. MMS forecasts a rise of 1.60m for Wednesday's figure. On Friday US personal income in December is exepected to rise 0.2 per cent, compared with 0.3 per cent in November, but these *figures are unlikely to have any* impact.

Last week's economic *announcements from Washington* were largely ignored, as the market paid more attention to statements from various officials in Washington, Bonn and Tokyo.

Even very large intevention by the Bank of Japan was shrugged off, as dealers looked for official sanction of its view that the dollar would go down.

Mr Satoshi Sumita, Governor of the Bank of Japan, said the central bank would intervene decisively to stabilise foreign exchange rates, as the authorities in Tokyo bought about $5bn during the week, and a record $2.5bn in one day.

Japan believes it has an agreement with the US to keep the dollar steady against the yen, but the market suspects Washington has other ideas.

Figures released on Friday showed Japan had a record trade surplus with the US in 1986.

If the dollar does not decline against the yen it will also cause strains as the US currency falls against the D-Mark.

A US newspaper report that the Reagan Administration would like to see a further weakening of *the dollar confirmed the market* view, and a White House statement that "We are not setting *targets and we are not trying to* talk the dollar down" did nothing to alter this.

Mr Paul Volcker, chairman of the US Federeal Reserve, and Mr Gerhard Stoltenberg, West German Finance Minister, appeared to agree the dollar has fallen far enough.

But unless the US authorities are prepared to join in co-ordinated intervention dealers will continue to believe the White House wishes to see a controlled dollar slide, in an attempt to cut *back the trade* deficit.

£ IN NEW YORK

Jan 16	Close	Previous Close
£ Spot	1.5185-1.5195	1.5065-1.5075
1 month	0.63-0.61 pm	0.63-0.62 pm
3 months	1.77-1.74 pm	1.79-1.76 pm
12 months	6.25-6.15 pm	6.45-6.35 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Jan. 16	Previous
8.30 am	68.5	68.1
9.00 am	68.4	68.2
10.00 am	68.4	68.2
11.00 am	68.5	68.2
Noon	68.6	68.2
1.00 pm	68.7	68.2
2.00 pm	68.8	68.3
3.00 pm	68.8	68.2
4.00 pm	69.0	68.3

CURRENCY MOVEMENTS

January 16	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.0	−25.1
U.S. Dollar	105.1	−2.0
Canadian Dollar	77.0	−12.2
Austrian Schilling	139.0	+10.6
Belgian Franc	100.4	−3.8
Danish Krone	93.4	+4.3
Deutsche Mark	148.0	+22.5
Swiss Franc	172.2	+22.2
Guilder	135.5	+15.1
French Franc	71.8	−12.7
Lira	48.4	−16.2
Yen	210.6	+57.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

Jan. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.738554
U.S. Dollar	5.5	*	1.11226
Canadian $	8.49	*	1.51679
Austrian Sch.	[illegible]	[illegible]	14.5095
Belgian Franc	[illegible]	[illegible]	42.7804
Danish Krone	[illegible]	[illegible]	7.81420
Deutsche Mark	[illegible]	[illegible]	2.06269
Neth. Guilder	[illegible]	[illegible]	2.32507
French Franc	[illegible]	[illegible]	6.89324
Italian Lira	[illegible]	[illegible]	1466.52
Japanese Yen	[illegible]	[illegible]	171.455
Norway Krone	[illegible]	[illegible]	7.97770
Spanish Peseta	[illegible]	[illegible]	144.094
Swedish Krona	[illegible]	[illegible]	7.34983
Swiss Franc	[illegible]	[illegible]	1.73157
Greek Drach.	[illegible]	[illegible]	149.633
Irish Punt	[illegible]	[illegible]	0.775636

*CS/SDR rate for Jan. 15; 1.71526

OTHER CURRENCIES

Jan. 16	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea (Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af. (Cm)	[illegible]	[illegible]
S. Af. (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5160	1.5098	1.4983	1.4823	1.4528
D-mark	2.7950	2.7792	2.7504	2.7101	2.6359
French Fr.	9.3525	9.3426	9.3209	9.2813	9.1875
Swiss Fr.	2.3400	2.3250	2.2980	2.2610	2.1919
Yen	232.50	231.10	228.70	225.05	218.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7804	+0.76	+0.76	±1.5344
Danish Krone	7.85212	7.81420	−0.48	−0.48	±1.6404
German D-Mark	2.05853	2.06269	+0.20	+0.20	±1.0981
French Franc	6.90403	6.89324	−0.16	−0.16	±1.3674
Dutch Guilder	2.31943	2.32507	+0.24	+0.24	±1.5012
Irish Punt	0.768411	0.775636	+0.94	+0.94	±1.6684
Italian Lira	1483.58	1466.52	−1.15	−1.15	±4.0752

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 15	£	$	DM	YEN	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.516	2.795	232.5	9.353	2.340	3.150	1987.	2.069	58.05
$	0.660	1	1.844	153.4	6.169	1.544	2.078.	1311.	1.365	38.29
DM	0.358	0.542	1	83.18	3.346	0.837	1.127	710.9	0.740	20.77
YEN	4.301	6.520	12.02	1000.	40.23	10.06	13.55	8546.	8.899	249.7
F Fr.	1.069	1.621	2.989	248.6	10.	2.502	3.368	2125.	2.212	62.07
S Fr.	0.427	0.648	1.194	99.36	3.997	1.	1.346	849.1	0.884	24.81
H FL	0.317	0.481	0.887	73.81	2.969	0.743	1.	630.8	0.657	18.43
Lira	0.503	0.763	1.407	117.0	4.707	1.178	1.585	1000.	1.041	29.21
C $	0.483	0.733	1.351	112.4	4.520	1.131	1.522	960.4	1.	28.06
B Fr.	1.723	2.612	4.815	400.5	16.11	4.031	5.426	3423.	3.564	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Jan. 16	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11¼	10⅞-11⅛	11-11 1/16	10 15/16-11 1/16	[illegible]	[illegible]
U.S. Dollar	5⅞-6	6-6⅛	6 1/16-6 3/16	6-6⅛	[illegible]	[illegible]
Can. Dollar	8-8¼	8-8¼	7⅞-8⅛	7⅞-8⅛	[illegible]	[illegible]
D. Guilder	5¾-6	5⅝-5⅞	5 9/16-5 11/16	5½-5⅝	[illegible]	[illegible]
Sw. Franc	1-1¼	1-1¼	3⅞-3 15/16	3⅝-3¾	[illegible]	[illegible]
Deutschmark	4 1/16-4 3/16	4¼-4⅜	4 5/16-4 7/16	4⅜-4½	[illegible]	[illegible]
Fr. Franc	9-9½	9⅝-9⅞	9¾-9⅝	9¼-9½	8⅞-9⅛	8¾-9
Italian Lire	9-12	9⅝-11¼	10½-11½	10½-11	10½-11	10½-11
B. Fr. (Fin.)	8½-8¾	8⅛-8⅜	7⅞-8⅛	7¾-8	7½-7¾	7½-7¾
B. Fr. (Con.)	13¼-15⅝	12½-15½	9½-10¼	8¾-9	7½-8¼	7¼-8
Yen	4¼-4 5/16	4 3/16-4¼	4⅛-4¼	4 3/16-4¼	4-4⅛	4-4¼
D. Krone	10½-11	10¾-11⅛	10⅝-11	10¾-11¼	10½-11	10½-11
Asian $ (Sing.)	6-6⅛	6 1/16-6 3/16	6 1/16-6 3/16	6 1/16-6 3/16	6-6⅛	6 1/16-6 3/16

Long-term Eurodollars: Two years 6¼-6½ per cent; three years 6⅝-6⅞ per cent; four years 7¼-7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4975-1.5185	1.5155-1.5165	0.64-0.61c pm	4.95	1.80-1.75 pm	4.68
Canada	2.0477-2.0609	2.0595-2.0605	0.53-0.46c pm	2.88	1.55-1.42 pm	2.88
Netherlands	3.11¾-3.15½	3.14½-3.15½	1½-1¼c pm	5.24	4⅝-4 pm	5.32
Belgium	57.12-58.01	58.00-58.10	7-par cpm	0.72	40-30 pm	2.41
Denmark	10.47¼-10.60¼	10.59¼-10.60¼	1⅞-⅛ ore pm	1.56	2⅝-¾ pm	0.64
Ireland	1.0395-1.0505	1.0475-1.0485	0.25-0.40 p dis	−3.72	0.60-0.90 dis	−2.86
W. Germany	2.76¼-2.80	2.79-2.80	1¾-1½ pf pm	6.98	4⅝-4⅜ pm	6.44
Portugal	212.52-214.26	213.25-214.25	90-139c dis	−6.43	239-336 dis	−5.38
Spain	193.87-195.92	194.95-195.50	30-48 c dis	−2.40	87-120 dis	−2.12
Italy	1967¼-1987½	1986½-1987½	1-2 lire dis	−0.97	2pm-2 lire dis	−0.00
Norway	10.70½-10.81½	10.80½-10.81½	3¼-4¾ ore dis	−4.44	12⅝-14⅜ dis	−5.00
France	9.22¼-9.36	9.34¼-9.35¼	1¼-⅝ c pm	1.20	3¼-2¼ pm	1.39
Sweden	9.88½-9.97½	9.96½-9.97½	1¾-¼ ore pm	1.50	3¼-1¼ pm	0.93
Japan	230¾-233	232-233	1⅜-1¼ y pm	6.77	3⅞-3¾ pm	6.56
Austria	19.49-19.63	19.60-19.63	9⅝-8 gro pm	5.31	26¼-23¼ pm	5.05
Switzerland	2.32½-2.34½	2.33½-2.34½	1⅝-1⅜ c pm	7.69	4⅜-4⅛ pm	7.26

Belgian rate is for convertible francs. Financial franc 59.00-59.10. Six-month forward dollar 3.40-3.35 c pm. 12-month 6.37-6.27 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4975-1.5185	1.5155-1.5165	0.64-0.61c pm	4.95	1.80-1.75 pm	4.68
Ireland†	1.4315-1.4442	1.4430-1.4440	1.25-1.00c pm	9.40	3.40-2.80 pm	8.64
Canada	1.3612-1.3640	1.3625-1.3635	0.23-0.24c dis	−2.07	0.63-0.66 dis	−1.89
Netherlands	2.0715-2.0935	2.0775-2.0785	0.09-0.06c pm	0.43	0.34-0.29 pm	0.60
Belgium	37.96-38.50	38.25-38.35	12-15c dis	−4.24	20-25 dis	−2.36
Denmark	6.95½-7.03¾	6.98¾-6.99¼	1.55-2.45 ore dis	−3.43	6.50-7.40 dis	−3.97
W. Germany	1.8360-1.8565	1.8435-1.8445	0.30-0.27pf pm	1.85	0.82-0.77 pm	1.72
Portugal	141¾-142½	141¾-142	140-190c dis	−13.95	350-400 dis	−10.57
Spain	128.65-129.60	129.00-129.50	70-95 c dis	−7.66	195-235 dis	−6.65
Italy	1306-1320	1310¾-1311¼	5-6½ lire dis	−5.26	15-16½ dis	−4.80
Norway	7.11½-7.17	7.12¾-7.13¼	5.25-6.05ore dis	−9.48	17.30-18.10dis	−9.90
France	6.12½-6.20	6.16¾-6.17¼	1.80-2.00c dis	−3.69	5.00-5.40 dis	−3.37
Sweden	6.56¼-6.61	6.57½-6.58	1.65-2.15 ore dis	−3.45	5.85-6.65 dis	−3.79
Japan	153.05-154.25	153.35-153.45	0.30-0.27y pm	2.22	0.76-0.71 pm	1.91
Austria	12.90-13.05½	12.90-12.95	0.70pm-.10gropm	0.37	1.75-0.25pm	0.31
Switzerland	1.5390-1.5600	1.5435-1.5445	0.37-0.34c pm	2.75	0.99-0.94 pm	2.49

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.90-39.00.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jan.	Feb.	Mar.	June	Puts—Last Jan.	Feb.	Mar.	June
1.30	21.78	21.78	—	21.78	0.00	0.00	—	0.05
1.35	16.78	16.78	—	16.78	0.00	0.03	—	0.24
1.40	11.78	11.78	11.78	11.78	0.02	0.19	0.46	0.80
1.45	6.78	6.78	6.78	6.78	0.25	0.85	1.42	2.08
1.50	2.69	3.21	3.53	3.33	1.47	2.56	3.37	4.33
1.55	0.70	1.25	1.61	1.59	4.48	5.60	6.45	7.59
1.60	0.10	0.37	0.61	—	8.88	9.72	10.45	—

Estimated volume total, Calls 2 Puts 70
Previous day's open int, Calls 1,147 Puts 851

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Jan.	Feb.	March	June	Puts—Last Jan.	Feb.	March	June
1.35	15.70	15.70	15.70	13.90	0.20	0.25	0.25	0.80
1.40	10.70	10.70	10.70	8.90	0.25	0.30	0.30	1.75
1.45	5.70	5.70	5.80	4.90	0.30	0.40	1.05	3.30
1.50	0.85	1.90	2.40	2.60	1.45	1.90	3.00	6.40
1.55	—	—	0.45	0.70	—	—	16.10	17.65
1.60	—	—	0.25	0.45	—	—	20.90	22.20
1.65	—	—	1.50	1.90	—	—	20.20	21.40

Previous day's open int: Calls 1,082, Puts 132
Volume: 0

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT — [illegible]

10% NOTIONAL SHORT GILT £100,000 — [illegible]

THREE-MONTH STERLING £500,000 — [illegible]

THREE-MONTH EURODOLLAR $1m points of 100% — [illegible]

U.S. TREASURY BONDS $100,000 — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE) — [illegible]

IMM—STERLING — [illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Mar.	1.5065	1.5015	1.4928	1.4960
June	1.4900	—	—	1.4790
Sept.	1.4747	—	—	1.4632

Estimated volume 3 (3)
Previous day's open int. 983 (985)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible] (Prev.: 0.6598, 0.6569, 0.6601)

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible] (Prev.: 0.5447, 0.5470, 0.5493)

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible] (Prev.: 94.02, 94.03, 93.94, 93.78, 93.56, 93.29, 93.01, 92.75)

SWISS FRANC (IMM) SFr125,000 $ per SFr — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible] (Prev.: 266.95, 268.15, 269.00, 269.80)

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ § Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ♦ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

MONEY MARKETS

Wide variations in PSBR forecasts

UK clearing bank base lending rate 11 per cent since October 15

TODAY'S UK Public Sector Borrowing Requirement figure for December has produced some fairly wide forecasts. Stockbroker James Capel *expects a PSBR of £200m, in spite of* the benefit of about £1.9bn from the sale of shares in British Gas. On the other hand County NatWest forecasts a surplus of £580m, and a Money Market Services survey of forecasters produced a median figure of a £250m surplus.

Forecasts for tomorrow's money supply and bank lending figures have come up with a median rise of 1 per cent for sterling M3 and of £2.3bn for lending in the December *banking* month. James Capel expects M3 and the more narrowly defined M0 money supply to have risen 1.25 per cent and lending to be up by £2bn. County NatWest fore*casts M3 up by 0.5 per cent and M0* by 1 per cent, with bank lending rising by £1.6bn.

London money market rates showed little change last week. Bad weather meant that many dealing rooms operated on reduced staff levels. This kept the market quiet, while sterling's performance also discouraged any major interest rate movements.

The pound established itself above $1.50 against the *dollar, at its* best level since last July, but touched further record lows against the D-Mark. The main hope for a cut in bank base rates in the foreseeable future is that the Bundesbank will cut West German rates after next weekend's Federal elections.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 16) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 1/16	Offer 6 3/16	bid 6	Offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. *The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de* Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 16	Jan 9		Jan 16	Jan 9
Bills on offer	£100m	£100m	Top accepted rate of discount	10.5288%	10.5489%
Total of applications	£314m	£267m	Average rate of discount	10.5122%	10.5327%
Total allocated	£100m	£100m	Average yield	10.80%	10.82%
Minimum accepted bid	£97.375*	£97.37	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	30%			

*91-day bills: 92-day bills £97.345

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan. 16	change		Jan. 16	change
LONDON			**NEW YORK**		
Base rates	11	Unch'd	Prime rates	7½	Unch'd
7 day interbank	11	Unch'd	Federal Funds	5⅜	−⅛
3 month interbank	11 1/16	−1/16	3 Mth. Treasury Bills	5.48	−0.09
Treasury Bill Tender	10.5122	−0.0205	6 Mth. Treasury Bills	5.61	−0.08
Band 1 Bills	10⅞	Unch'd	3 Mth. C D	5.90	Unch'd
Band 2 Bills	10 13/16	Unch'd	**FRANKFURT**		
Band 3 Bills	10¾	Unch'd	Lombard	5.5	Unch'd
Band 4 Bills	10 11/16	Unch'd	One mth. Interbank	4.375	−0.35
3 Mth. Treasury Bill	10 11/16	Unch'd	Three month	4.425	−0.25
1 Mth. Bank Bills	10 15/16	Unch'd	**PARIS**		
3 Mth. Bank Bills	10 13/16	−1/32	Intervention Rate	8.00	Unch'd
TOKYO			One mth. Interbank	8 13/16	−⅛
One month Bills	4.28125	+0.09375	Three month	8 7/16	−⅛
Three month Bills	4.34375	+0.03125	**MILAN**		
BRUSSELS			One month	11⅞	−⅛
One month	7 13/16	−1/16	Three month	11¾	Unch'd
Three month	7 13/16	−⅛	**DUBLIN**		
AMSTERDAM			One month	13⅞	Unch'd
One month	5 13/16	−⅛	Three month	13 13/16	+1/16
Three month	5 13/16	−⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	7½	One month	4.86	Three year	6.33
Broker loan rate	7¼	Two month	5.31	Four year	6.53
Fed. funds	5⅞	Three month	5.46	Five year	6.60
Fed. funds at intervention	5 11/16	Six month	5.60	Seven year	6.86
		One year	5.70	10 year	7.06
		Two year	6.19	20 year	7.33

Jan. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.10-4.25	4.30-4.45	4.25-4.40	4.35-4.50	4.35-4.50	5.5
Paris	9⅝-9⅞	N/A	N/A	N/A	N/A	7
Zurich	⅞-1⅛	3¼-3½	—	3 3/16-3 11/16	—	—
Amsterdam	6½-6¾	5⅝-5⅞	—	5½-5⅝	—	—
Tokyo	4.03125	4.28125	—	4.34375	—	—
Milan	11⅞-12¼	11⅞-12⅛	—	11⅝-12	—	—
Brussels	9.00	7¾-8	—	7⅞-7⅞	—	—
Dublin	13¾-13⅞	13¾-13⅞	13¾-13⅞	13¾-13⅞	13¾-13⅞	—

LONDON MONEY RATES

Jan. 16	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-10	11⅛-10⅞	11⅛-11	11 1/16-11	10 15/16-10 13/16	10 13/16-10⅝
Sterling CDs	—	—	11 1/16-10 15/16	11-10⅞	10 13/16-10 11/16	10⅝-10⅝
Local Authority Deposits	11⅛-10⅞	11⅛-10⅞	11⅛-11	11	10⅞	10⅞
Local Authority Bonds	—	—	11⅛	11⅛	11¼	11⅛
Discount Market Deposits	11¼-10	10¾	10⅞	10¾	—	—
Company Deposits	11	11 1/16-11	11⅛-11 1/16	11 3/16-11 1/16	11 1/16-11 1/16	11 1/16-11 1/16
Finance House Deposits	—	—	11	11	10⅞	10 13/16
Treasury Bills (Buy)	—	—	10 13/16	10 11/16	—	—
Bank Bills (Buy)	—	—	10 13/16	10 13/16	10 13/16	—
Fine Trade Bills (Buy)	—	—	11 3/16	11 3/16	10 13/16	—
Dollar CDs	—	—	6.10-6.05	6.00-5.95	5.95-5.90	6.00-5.95
SDR Linked Deposits	—	—	6½-6¼	6½-6¼	6⅞-6⅞	6⅞-6¼
ECU Linked Deposits	—	—	8 3/16-8 1/16	7 13/16-8 1/16	7¾-7⅞	7⅞-7½

Treasury Bills (sell); one-month 10 13/16 per cent; three-months 10 9/16 per cent; Bank Bills (sell): one-month 10 13/16 per cent; three months 10⅝ per cent; Treasury Bills; Average tender rate of discount 10.5122 p.c. ECGD Fixed Finance Scheme IV reference date November 29 to December 31 (inclusive): 11.392 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. *Finance Houses Base Rate 11½ per cent from January 1, 1987: Bank Deposit Rates for* sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10⅝ per cent; one-three months 11 per cent; three-six months 11⅛ per cent; six-nine months 11⅛ per cent; nine-12 months 11⅛ per cent; Under £100,000 10¼ per cent from December 16. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

FINANCIAL TIMES SURVEY

Regional Development

The debate over Britain's regional development is intensifying in the run up to an election. The disparity between the North and relatively prosperous South meanwhile appears greater than ever.

The gap widens

By HAZEL DUFFY

REGIONAL IMBALANCE has long been a social and economic fact of British life which various governments have tried to correct for more than 50 years, with varying degrees of enthusiasm.

The disparity between the more and less prosperous regions today, measured in terms of the percentage of the workforce which is unemployed, is, however, greater than at any time since the period between the wars. Furthermore, the gap between the North and the South, as measured in gross domestic product per head, has widened significantly since the mid-1970s.

Official figures show that between 1974 and 1983, only three regions—the South East, East Anglia and the South West—increased GDP as a percentage of the UK average; the rest registered a decrease, except for Scotland which just about held its own.

This, then, is the scale of the problem confronting the present Government in the run-up to an election.

On the basis of the present array of policies, split between Whitehall departments struggling for supremacy, the best improvement that Conservative MPs in sensitive constituencies can hope for before the election is called is a tiny narrowing of the gap. More likely, there will be none.

The present regional policy has its roots in a White Paper presented by Mr Norman Tebbit, then Trade and Industry Secretary, in December 1983. The aim of the new policy was that it should be more effective and at the same time achieve better value for money. This was to be done by targetting regional development grants more precisely at job creation.

Implementation of the new policy, late the following year, was accompanied by the redrawing of the assisted areas map and, for the first time, a limit was set on the cost-per-job.

The effect of the new policy was to cut the amount of aid paid out in regional development grants and selective assistance. By the end of the decade, the forecast is for such aid to total less than £400m a year — a major factor in the reducing budget accounted for by the Department of Trade and Industry in total government expenditure.

In the current financial year, however, an overshoot of the regional budget has been signalled in recent Parliamentary answers. To the end of November, £415m had been paid out under old and new style grants and selective assistance, and an extra £20m allocated to the budget for 1986-87.

Officials say that it is too soon to judge if the new policy is a success. It is more complex to administer and for potential "customers" to understand, which gave rise to fears that there would be a lot of criticism. On the whole, this has not materialised, although evidence from a recent survey, carried out for the DTI, shows that smaller companies have some difficulties in presenting their case for assistance.

In the wider context, government regional policy has clearly failed. Its aim, as stated in the Government's recent submission to the European Regional Development Fund, is "to reduce regional disparities in employment opportunities on a stable long-term basis."

But "recent experience has shown that changes in the fortunes of the national economy have a more profound effect on the regions than can be achieved by regional policy, even with the assistance of the Fund." The recently-published Employment Census shows just how much the traditional industrial areas have suffered from industrial restructuring.

Economic drift

Regional aid is only one part of government policy to stimulate activity in the regions. Some would argue that it is the least important, although it is hard to say whether this is because there is a suspicion that this Government does not really believe in it as an instrument of policy or because aid is always going to be ineffective in the face of the economic drift to the south of England.

Creation of urban development corporations in areas of the country blighted by the contraction of manufacturing industry and run-down of traditional activities is arguably a more significant development of this Government's policy.

Starting with London Docklands and the Merseyside Development Corporation, these are an attempt to attract private sector investment—with the aid of Government pump-priming—over the heads of local authorities.

Stimulated by the success in Docklands, where private investment is running at five times that of the public sector, the Government is setting up four more in Trafford Park, Greater Manchester; the Black Country; Tyne and Wear; and Teesside. The Welsh Office has also announced that it is setting up an Urban Development Corporation to cover the Cardiff Bay area.

On a smaller financial and geographical scale, there are the Government's various programmes for the inner cities, also aimed at promoting private and public sector partnerships.

Some Labour-controlled local authorities have refused to co-operate with such schemes, while others have given only grudging support. Most show little enthusiasm, if not outright hostility, to the urban development corporation policy concept. In the Midlands, for instance, they have argued that it is unnecessary when they have an enterprise board covering the West Midlands.

Labour Party policy towards the regions is in the process of being drawn up. A key element will be that local authorities should be given a positive role to stimulate economic activity in their areas. The statutory limitation on the amount of rate income which can be spent on such activity would be removed. They would be encouraged to provide industrial sites, particularly for small businesses.

A Labour government would set up regional arms of its proposed National Investment Bank and British Enterprise—to be used to stimulate investment in high technology research and development—and provide special assistance for training in the regions. Other ideas being looked at include variable rates of national insurance payments as practised in Italy.

No decisions have been made yet, however, on the future of urban development corporations under a Labour administration, or whether development agencies in England, similar to those in Scotland and Wales, would be appropriate.

The SDP/Liberal Alliance, like Labour, believes that regional policy can only succeed if it is allied to a much more positive industrial strategy than practised by the Conservatives, and a national policy of economic expansion.

It rejects the theory that regional policies and aid have not worked, and particularly the view that they led to inefficient location for many companies. The need now, says the Alliance, is to make sure that the more peripheral regions, including Scotland, Wales, the North East, share in the growth industries and innovation in existing industries.

The Alliance, reflecting traditional Liberal policy, propose more power being devolved to the regions, and setting up regional development agencies in England.

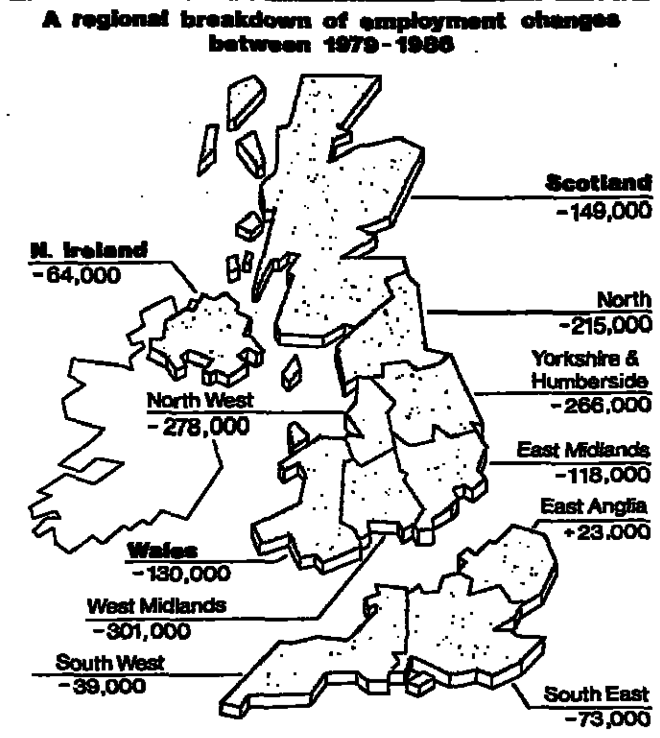
Present Government policy is against such agencies. Although pleased with the success of the Scottish Development Agency, in particular—Wales is catching up—it rejects officially the need for similar bodies elsewhere, despite support from many quarters of private industry. This is not to rule out the possibility of such agencies being proposed if the pressures of regional inequality threaten election prospects.

For the present, it wants to see more examples of co-operative promotional effort between local authorities, government regional offices, politicians, along the lines of the Northern Development Company which is being funded, on a small scale, by the private sector, and the resources of the North of

CONTINUED ON PAGE 2

Job losses and gains

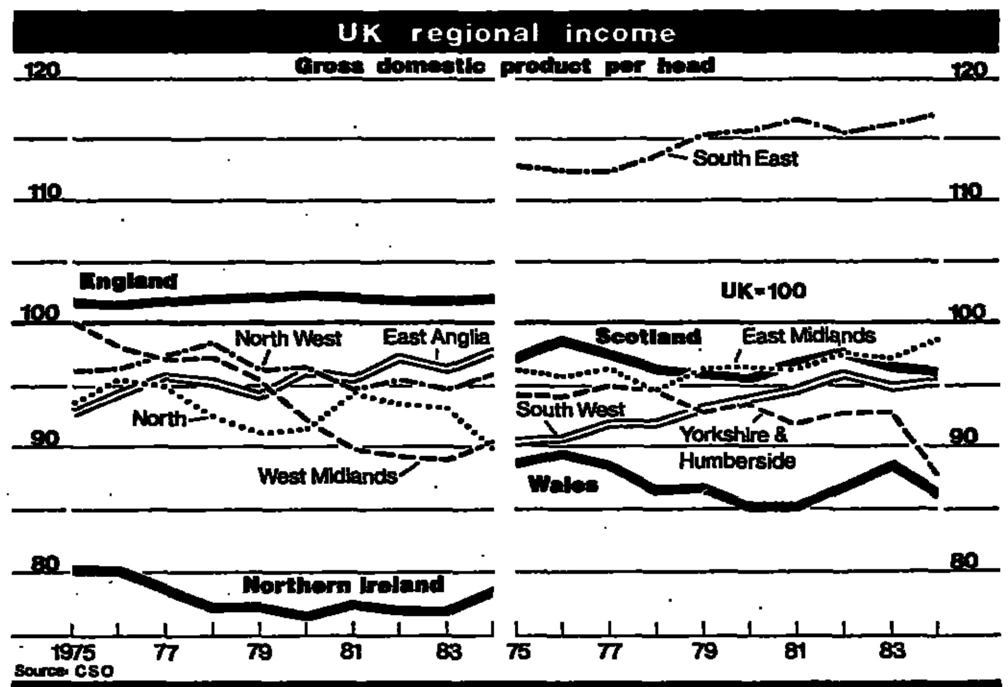
A regional breakdown of employment changes between 1979-1986



Source: Government report

UK regional income

Gross domestic product per head



Source: CSO

IN THIS SURVEY

An example of success in urban renewal: the Swansea Marina redevelopment area

The gap widens

CONTINUED FROM PAGE 1

England Development Council, but has no statutory standing.

Even supporters of development agencies for England are doubtful of their likely success without political support in the Cabinet, such as is provided by the Scottish and Welsh Secretaries. Northern Ireland, with its Development Board, can also offer potential investors the advantages of sometimes substantial financial assistance and guidance from its officials.

Regional policy inevitably leads to rivalry between areas of the country anxious to attract mobile investment projects, such as Nissan. There are, however, very few such projects around. Some argue that development agencies, urban development corporations, enterprise zones, enterprise agencies, and the panoply of funds do no more than accentuate that rivalry.

Frequently, companies setting up or expanding in one area to take advantage of financial inducements simply create jobs in one area at the expense of those jobs being lost in another.

The key to job creation, in the view of this Government, is self-employment and establishment of small companies. Traditionally, this sort of employment has not flourished in the north, Scotland, Wales, Northern Ireland.

Enterprise, however, can be learned, and considerable efforts are being made to this end in the regions by public and private sector bodies. Venture capital is increasingly marketed in the regions, and support made available in technical areas.

The problem is that new jobs via this route replace so few of those lost as a result of the massive restructuring of British industry, most of which has fallen on certain parts of the country. Like other policy lines being pursued by ministers concerned about the regional gap—such as the Chancellor's call for more regional differentiation in pay—they are essentially longer term than is good for the present state of the country.

Employment trends by regions

● For the period 1979 to 1986

	Employees in employment: manufacturing jobs, % change	Employed labour force; (includes self-employed), % change
South East	−25	+ 2
East Anglia	− 3	+13
South West	−15	+ 5
West Midlands	−29	− 7
East Midlands	−18	—
Yorkshire and Humberside	−35	− 6
North West	−35	−12
North	−34	−10
Wales	−36	−13
Scotland	−38	− 8
Northern Ireland	−33	n.a.

Source: Department of Employment.

Regional population trends

	Population 1984 (000s)			Population increase 1979-84 (%)		Projected* population 2001 (000s)		% population 1984	
	Total	Males	Females	Total	Persons aged 75 or over	Total	Persons aged 75 or over	Under 5 years	Over pension age†
North	3,093.1	1,506.2	1,586.9	−1.2	12.0	2,951	213	6.3	17.6
Yorks. and Humberside	4,904.3	2,390.7	2,513.6	−0.3	13.1	4,902	343	6.3	18.0
East Midlands	3,874.3	1,906.1	1,968.2	1.5	15.5	4,101	284	6.3	17.3
East Anglia	1,939.6	953.3	986.3	4.1	19.5	2,114	169	6.2	18.9
South East	17,112.4	8,319.8	8,792.6	0.9	13.7	17,858	1,259	6.3	18.0
South West	4,461.2	2,154.9	2,306.3	2.9	16.0	4,817	413	5.8	20.9
West Midlands	5,176.0	2,552.4	2,623.6	−0.1	15.3	5,213	355	6.5	16.6
North West	6,395.5	3,099.8	3,295.7	−1.6	11.4	6,263	421	6.5	17.8
England	46,956.4	22,883.2	24,073.2	0.6	14.0	48,221	3,458	6.3	18.0
Wales	2,807.2	1,361.0	1,446.2	−0.1	14.2	2,845	221	6.3	18.9
Scotland	5,145.7	2,483.5	2,662.2	−0.4	14.8	4,985	328	6.4	17.1
Northern Ireland	1,578.5	772.5	806.0	1.7	10.9	1,694	89	8.5	14.5
UK	56,487.8	27,500.2	28,987.6	0.5	14.0	57,746	4,093	6.4	17.9

* Based on 1983 population estimates. † Men aged 65 or over and women aged 60 or over.

Source: Central Statistical Office.

Grants and assistance for companies

Ever-growing range of schemes

ALTHOUGH THE main thrust of industrial assistance in Britain is concentrated on the development and intermediate areas, a large number of schemes are available for companies within the whole of the UK. Such schemes may not be as all-embracing as regional development assistance but any particular one can make a significant difference for an individual company.

In the field of research and development, for instance, the Government is endeavouring to encourage all areas through special schemes. Some give access to expert technical knowledge while others offer grants towards the cost of equipment.

One scheme involves support for innovation, which is available across the broad spectrum of industry. To qualify, a company must have the capability—managerial, financial, commercial—to carry out a project and it has to prove that help is essential for the scheme to go ahead.

The Government has considerably tightened the rules since 1984 and will now only help proposals that would not have gone ahead without its assistance. To undertake a scheme and then seek help almost inevitably nowadays debars the company from official sources of finance.

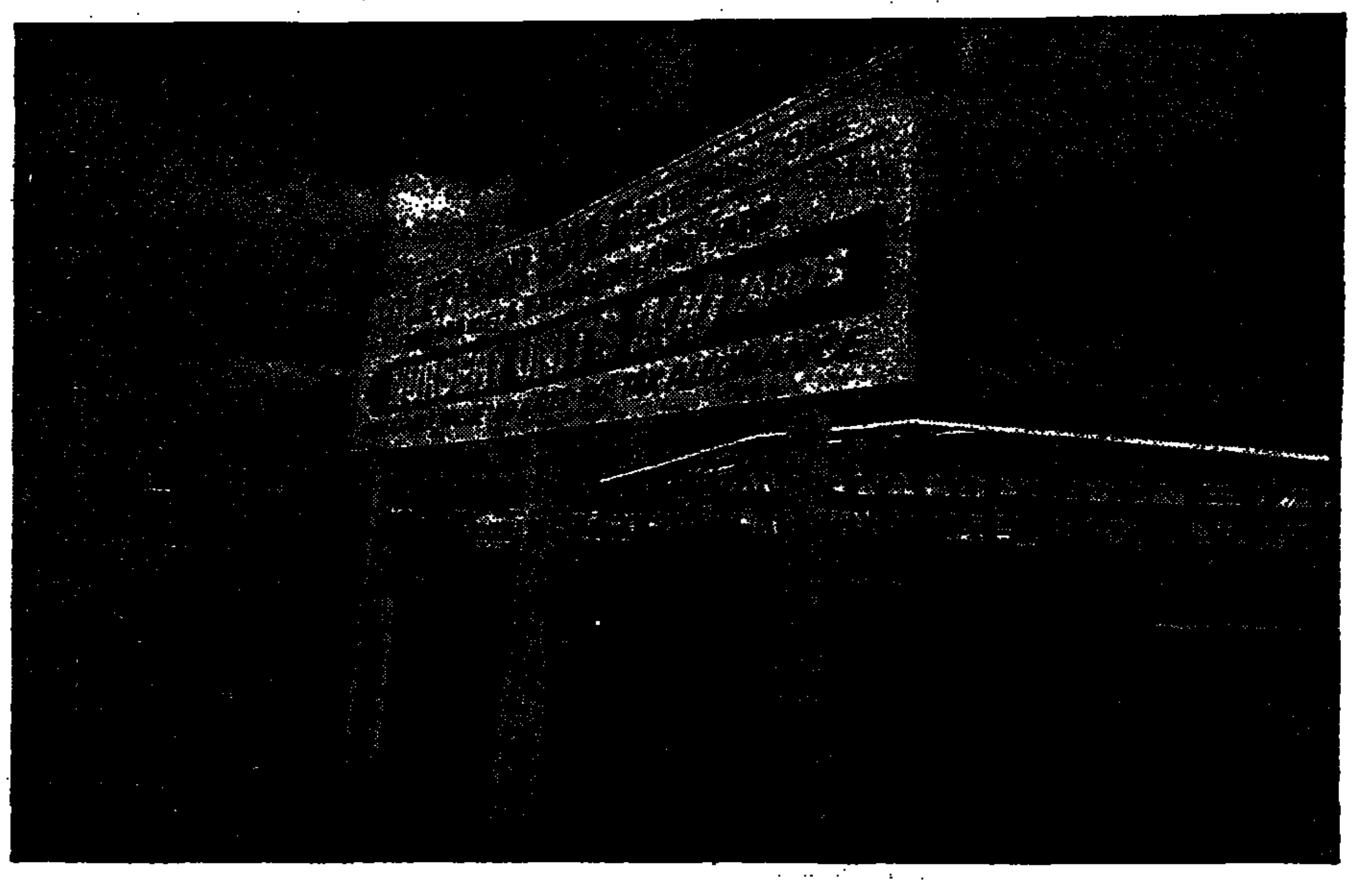
Another R and D scheme covers computer-aided design and computer-aided manufacturing, Cadcam. The computer clearly has vast potential for increasing productivity and competitiveness. The Government wants to see greater use of computers and computer-aided design and so offers help.

In particular, it wants to ensure that as many companies as possible know about Cadcam and to ensure these concerns can evaluate the processes for themselves. There is therefore support for consultancy studies to encourage a company to see whether Cadcam is a feasibility for itself.

Normally, such government support is on a selective basis and limited to one assignment and covers only part of the cost. There has to be official acceptance of the consultant, though a list of acceptable consultants is available from the DTI.

In addition, there are "awareness" seminars run by the DTI for managers, practical experience courses and, in some cases, concerns which have used Cadcam are willing to invite in potential users to show how they have successfully introduced schemes.

The essential point about these schemes is that they are handled with great flexibility. Although the small print says, for instance, that only one consultancy scheme may be undertaken, officials go to great lengths to ensure that, if a company really needs further assistance, it will be forthcoming. The department will not officially admit to any bending of the rules, because by law it is precluded from doing so. The rules are, however, always operated with consideration towards the company. The Government wants companies to succeed and it wants its schemes used.

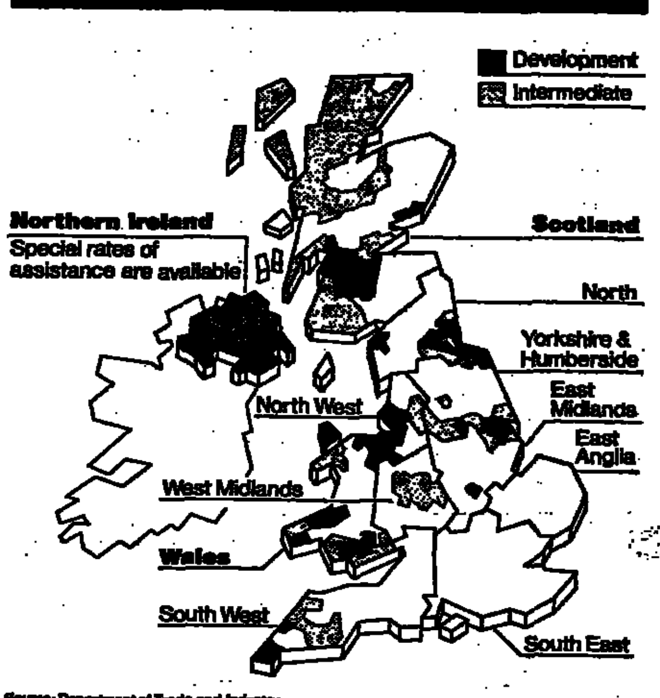


Trafford Park Enterprise Zone, Manchester, with Salford Docks in the background. There are hopes that the new Urban Development Corporation will be a blueprint for 25,000 more jobs in the area

Other areas of technological advance which are supported include fibre-optics, micro-electronics, industrial robots, and software products. Companies can, for instance, employ independent consultants to carry out studies to establish whether robots can make a commercial contribution to their productive processes. Up to half the cost of a certain number of days' work is covered, though there is a limit on the amount that may be spent.

Fibre optics is one area that has been helped for several years. The intention is to ensure that the UK has a capability in this vitally important field, especially in the area of critical components for novel systems. Help is also available, though, for the stimulation of new applications and for developing a sector "infrastructure," a wide-ranging heading.

UK assisted areas



Source: Department of Trade and Industry

Savings

Another important area of assistance is energy conservation. Some industries, such as textiles, which are heavy users of energy, have been helped to develop systems which make their processes much more cost-effective with the result that jobs, and sometimes even plants, have been saved. The object is to lower unit costs and thus there are a large number of schemes operated by the Department of Energy.

Again, consultancy projects are important. The industrial heat recovery consultancy scheme is intended to help high energy users, in particular, through consultants looking at how to instal heat-recovery projects.

The Department of Employment has an increasing number of schemes involving employment and training. The Government has in the past few years brought in a large variety of projects from job-splitting to encouraging the employment of young workers and youth training.

There are, in addition, special schemes for the handicapped and disabled and some companies have taken up these with considerable enthusiasm.

Grants have been available, for instance, to enable employers to adapt or modify premises or equipment where it is necessary to enable them to recruit or retain disabled men and women. There is also a network of rehabilitation centres which provide courses of assessment and work rehabilitation for people who are not only handicapped but who have been ill or injured and need retraining.

A particularly wide field of assistance is available to companies engaged in selling abroad. The British Overseas Trade Board provides help to groups of exporters through outward missions. The intention is not just to help sell goods abroad but also to evaluate whether a particular market may be suitable for a company's goods.

Various schemes cover trade fairs with space and a shell stand provided at what the government describes as "attractive" rates. Sometimes, government ministers accompany outward missions, thereby giving those involved the invaluable extra promotional push that comes from having a leading figure operating in the country at the same time.

The BOTB advises the government on strategy for overseas trade but on a micro level it also provides overseas market information for companies, offers export promotion publicity and, sometimes, financial help. Booklets on hints for operating in individual markets are prepared and a market intelligence library provides an invaluable databank on most markets in the world.

Much of the thrust of the Government's programme of assistance goes towards manufacturing industry but neither the service sector nor agriculture is overlooked.

Each of the English regions, together with Scotland, Wales and Northern Ireland, has its tourist board, which draws up its own strategy plan and schemes of assistance to complement anything provided nationally. The board also act as agents for the European Investment Bank's loan facilities.

In agriculture there is a very wide range of grants and assistance on offer, not only to "pure" agriculture but also to horticulture, forestry and fishing. This support is hardly surprising considering the EEC's common agricultural policy accounts for over 80 per cent of the community's budget.

There are, in addition, specific schemes intended to help British farm exports and individual sectors such as hill farmers, as well as training schemes.

Such an outline as this touches only the fringe of what is available. Intending applicants should always approach, in the first instance, the government department which deals with their particular industry. Despite criticism that is sometimes made about the speed of payment of grants, officials are invariably helpful with advice and positively welcome approaches.

Publications

A number of publications are also available to guide the unwary or the inquisitive through the maze of assistance that is on offer. The most comprehensive is the annual review of Industrial Aids in the UK, produced by Professor Kevin Allen at the University of Strathclyde in Glasgow. This guide costs £11.95 and runs to almost 650 pages, which gives some idea of the number of schemes on the market.

Another excellent guide (produced by National Westminster Bank) is entitled Official Sources of Finance and Aid for Industry in the UK. It costs £5.50.

Local government should not be ignored when requesting information. Most councils have schemes applicable for their individual areas and while any business should know who to approach locally, a comprehensive list of local authorities in the UK, including phone numbers and names of many of the relevant officers is published in the Business Location Handbook 1986-87, published by Beacon Publishing of Wellingborough, Northants. The guide costs £15.

Armed with these and similar publications which most good libraries already stock, no business should feel excluded from sources of information and (possibly even) finance.

Anthony Moreton

Fig. 1. The Welsh Development Agency

Fig. 2. The Scottish Development Agency

Fig. 3. English Estates The Developing Agency

To be successful, every plot has to be carefully tended.

At English Estates, we've matured into the largest developers and managers of industrial and commercial property in England.

Hardly surprising when you consider that we've had fifty years experience in the field.

In that time, we've planted over 38 million sq.ft. of property in our plot, at more than 500 locations throughout the country.

As a Government agency we stimulate economic activity and help create jobs in areas where private developers don't wish to venture.

At present, 136,000 people are working in our properties in these areas.

In fact last year alone, over 1,600 businesses moved in with us.

Which we feel is a sure sign of our success.

We offer a wider range of properties than anyone else in England. And we can custom build premises; each individually designed to meet specific needs.

But our service doesn't end when the building does. We ensure that our estates are carefully tended to maintain an environment in which businesses can bloom.

And because we have sixteen offices up and down the country, we are always on hand to offer help and advice.

ENGLISH ESTATES
The Developing Agency

For example we can put companies in touch with the relevant national and local assisting agencies. And advise them where they can go for details of grants and other forms of financial aid they may be entitled to.

In certain areas, we can even provide a specialist business adviser to get to the root of any problems that may crop up.

As you have probably realised by now, we do everything we can to help the businesses in our care to flourish and grow.

And that's what has made us an important part of England's business success.

So while the other two agencies have been working in their parts of Britain, we've been carefully tending a fairly large plot of our own.

English Estates, St. George's House, Kingsway, Team Valley, Gateshead, Tyne & Wear. NE11 0NA.

Urban Development Corporations

Blueprint for new jobs

THE SCALE of what the UK Government expects of its newly-designated Urban Development Corporations (UDCs) was revealed by Mr John Patten, the Environment Minister, when he visited Trafford Park, Manchester, last month.

He hopes that £160m of public investment over the next five or six years will lever at least £500m of private sector money, creating 25,000 jobs and 10m sq ft of commercial floor space in Trafford Park alone.

He also hopes that Trafford Park and the new UDCs on Tyneside, on Teesside and in the Black Country will be vital contributors to easing the North-South divide, providing focuses for investment and growth that will generate new jobs and wealth at a strategic level.

"This is a critical part of our attack on the north-south problem," he said. "We face enormous pressures on space in the south. We want to make the north as attractive as we possibly can. The UDCs can proselytize in the south about the real attractions of the north for industrial investment and as a place to live."

The urgency with which the Government is pushing the UDCs is illustrated by Trafford Park's impending start-up date of April 1. Mr Nicholas Ridley, the Environment Secretary, convinced by the successes of the London Docklands and Merseyside Development Corporations, plumped for UDCs as a major instrument of regional policy soon after taking office last summer.

This leads Mr Patten to exclaim: "Eight months from conception to birth—this may well be a world record for government."

In Trafford Park's case, however, the Government was helped by a strategic plan drawn up for Trafford Borough Council and the eight largest industrial users of the park—GEC, Carborundum, Kelloggs, GKN, ICI, Procter and Gamble, CPC and CIBA-Geigy.

The Park—a vast 2,000-acre industrial zone—was first developed at the turn of the century to exploit the new communication channel with the Atlantic provided by the Manchester Ship Canal.

The park is cheek-by-jowl with the now-disused Manchester Docks and for 70 years it exploited the canal successfully. Between the world wars its reputation was that of "the most modern industrial estate in Europe" and even as late as 1965, 52,000 people worked there.

In its way, it was a forerunner of a modern UDC: a single estate owner controlled the use and disposal of land; rents and profit financed the development of roads, railways and amenities. There was a high-quality environment with parkland, a boating lake and a golf course, and in the middle of it all was a village of back-to-back terraced houses, shops, a school and three churches.

Fragmentation of land ownership, the decline of the ship canal, and the demolition of the village — though the churches are still active—have all been part of Trafford Park's struggle in the past few years. Railways have become overgrown; disused factories and land are eyesores.

Designation as an enterprise zone helped to attract high-profile newcomers such as the Daily Telegraph, but development has been patchwork and has a haphazard look about it, although there are still nearly 25,000 jobs within its boundaries. The UDC is expected to pull everything together.

It will also have a wider remit than Trafford Park alone. The borough council hoped that the UDC boundaries would encompass the park alone, so that the case for the council losing planning control to the new body would be diminished.

Mr Ridley, however, was determined that the UDC should be a planning authority in its own right. He believes that the record of the London Docklands and Merseyside UDCs speaks for itself on this.

There, nothing happened for years in the derelict docklands as councils bickered among themselves or came up with grandiose, unrealisable schemes — at one stage Merseyside County Council was proposing the tallest skyscraper in the world for the Albert Dock.

In London there is still local criticism from local pressure groups about the UDC's policy, particularly on housing, which is seen as too up-market and out of reach of local pockets. But the other side of the argument is whether a "socially balanced" mixture of housing — as defined by Labour councillors — would have created such an attractive environment for investment.

So, despite Trafford Council's determination to enter into what Mr Ridley regards as the spirit of things, it was not allowed to keep planning control. The issue was put beyond doubt anyway by a decision to widen the UDC boundaries to take in the opposite bank of the ship canal — which is in Salford — and to designate the disused steelworks and town of Irlam, seven miles away, as UDC territory, too.

Mr Patten, whose ministerial responsibilities include housing, sees house-building as crucial to Irlam's canalside development anyway.

"Housing is an engine for growth," he says. "It helps move people into an area, giving it life, as well as improving the area's image."

There has been a concession on planning — Trafford and Salford are likely to end up as agents for the UDC, administering and servicing the planning function. The UDC's role will thus be policymaking and strategic.

Pragmatism seems to have ruled here. Had this arrangement not been possible—because of local authority hostility, for example—the UDC would probably have had to set up a parallel bureaucracy to Trafford's, just to administer the planning function for 562 businesses already in Trafford Park.

According to critics of the Government's UDC policy, freedom from the planning constraints of local government is anti-democratic, but it does confer on any UDC what is probably its single most important advantage over virtually any other approach—the ability to assemble and prepare land for development.

This has proved itself in London and Liverpool, with a prime example the latter's stunning success in reclaiming 250-acres of rubbish tips and disused petrochemical tank and docks to stage the 1984 International Garden Festival.

In the black country, land assembly will be the key to the UDC's strategy. Its role will be to attack the patchwork of dereliction spread across four local authorities by the collapse of the area's traditional metal bashing industries in the recession.

A report on how to proceed is expected in the spring, with them new UDC likely to start up in the autumn, but the problems are formidable. There are at least 7,000 derelict acres, spread across numerous sites, where busy factories once stood.

In many cases the land itself is either toxic or has a concrete substructure several feet thick. Much of it is still owned by the companies which closed the factories that stood on it.

This may itself be a problem in instances where the land is "in the books" at values well above its present worth and the UDC may face some difficult pricing decisions when buying it in—especially because of the likely costs of bringing it up to developable standard.

The other two new English UDCs will counter the dereliction and rocketing unemployment caused on Teesside. By closures in the chemical and steel industries, together with shipbuilding, the last of which has prompted the need for urgent action on Tyneside.

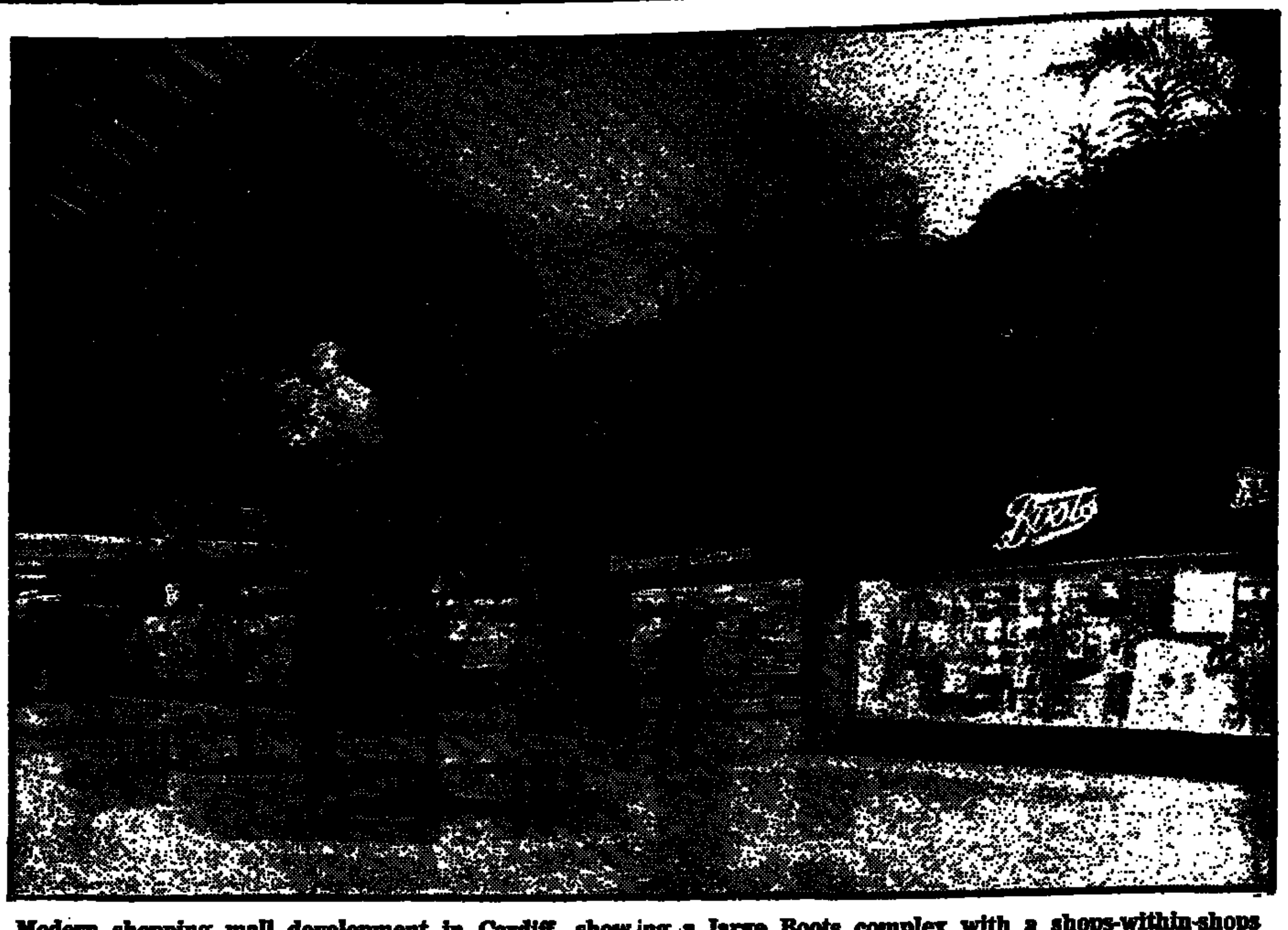
On Tyneside, in particular, there has been local resentment that the resources are not going directly to local authorities to do the job themselves but Mr Ridley is determined to keep the UDCs as a direct channel for government funds which he can control much more fully than using a local council as an intermediary.

The London and Merseyside successes have established what the Government believes is a workable and replicable pattern. A UDC's boundary is defined by the problem it is trying to solve, not by the borders of local authorities, which are largely arbitrary in these circumstances.

UDCs save the problem from falling between several stools and are clearly effective at eliminating a blight on development. They can attract private investment in sufficient quantities to achieve a critical mass to pull in yet more. Thus, they create nuclei for future growth.

They are what the new town development corporations are, but in the centres of conurbations rather than green fields. The decision to wind up and sell off the new town corporations ends one era. The new generation of UDCs ushers in another.

Ian Hamilton Fazey



Modern shopping mall development in Cardiff, showing a large Boots complex with a shops-within-shops concept. Boots now has a thousand stores in Britain

Assistance for Scotland and Wales

Grants lure newcomers

JUST OUTSIDE Bridgend, in the heart of industrial South Wales, Sony produces television sets for the European market. A few miles to the east, on the northern edge of Cardiff, National Panasonic, another Japanese immigrant, has a similar factory.

North of the border, similar concerns have come from the new world and the Far East. Silicon Glen has been populated by companies such as IBM, Wang and Hewlett-Packard.

Most of the newcomers have been attracted to Wales and Scotland by the grants and other assistance available. Few Japanese manufacturing concerns look at sites outside the assisted areas when choosing a British location. When Nissan was searching through Britain four years ago a site for its motor plant, which eventually went to Washington in Tyne and Wear, its short-list of seven possible areas were all in places that offered the maximum regional development grants.

Most of Scotland and much of Wales is designated as assisted areas, though since the review of Government regional policy, carried out in 1984, the level of regional development grants has been cut back. Within the development areas, which comprises parts of industrial south Wales, a large part of Clwyd in North East Wales, Clydeside and Tayside in Scotland, the Government offers automatic grants worth 15 per cent of new capital building costs and another 15 per cent towards new plant and machinery.

These grants are not subject to company taxation. But in order to qualify for them, the company has to prove to the Government it would not have gone ahead with the project had the finance not been available. Before 1984 it was sufficient to show that the project had been undertaken; this is no longer sufficient. Under the "additionality" rules, introduced by the 1984 review, a company has to prove that without help it would not go ahead with a project.

Selective aid

The second tier of regional aid, intermediate areas, does not qualify for automatic grants. But it is possible for concerns within these areas to put forward a case for receiving selective assistance. In this case, it is a matter of company officials and government servants sitting down and working out how a company can best be helped.

The importance of assisted areas is not just the automatic and selective assistance that is available so much as that they also qualify for European Community aid. Companies outside the assisted areas have a much more difficult task in attracting help from Brussels.

Direct government schemes are only the tip of the assistance iceberg and a company thinking of locating in either Wales or Scotland should take advice from the Welsh or Scottish Offices or from the Department of Trade and Industry in England, which can guide applicants to the most appropriate source.

Alternatively, the company should seek guidance from its professional advisers, most of which now have departments dealing specifically with the whole range of available industrial and regional aids. One other excellent source is the handbook produced each year by Professor Kevin Allen and his aides at the University of Strathclyde in Glasgow Industrial Aids in the UK.

The first port of call for a company thinking of moving to Wales or Scotland, after government in Cardiff and Glasgow, should be to the Welsh or Scottish Development Agencies. These bodies were set up in 1976 to help regenerate the economies of their countries, taking over, in the process, the factory - building programme previously carried on by industrial estates corporations. The agencies provide investment funds, factories and business advisory services to assist the setting-up of new businesses as well as helping existing ones.

Investment capital in the form of equity funds and loans can be provided tailor-made to meet the needs of individual concerns. Usually, neither agency puts up more than 30 per cent of the equity needed and negotiates a buy-back clause so that its stake may be disposed (usually to the remaining shareholders) after five to seven years.

These services are complemented by the work of Mid Wales Development and the Highlands and Islands Development Board, the organisations that look after much of rural Wales and Scotland. The type of services offered are not dissimilar but because of their concern with rural affairs the two boards have a particular interest in the needs of rural companies and communities.

One of the features common to both Wales and Scotland is that, as the home of declining structural industries, each is the recipient of certain specific EEC aid schemes. The Agencies have been appointed, for instance, by the European Coal and Steel Community to channel funds to those parts of their countries affected by the rundown of coal and steel.

Manufacturing businesses with up to 50 employees within an area hit by a coal or steel closure may be eligible for a loan covering half the fixed costs of a project at a highly favourable rate of interest over an eight-year period. Service industries are also eligible though the rate applicable to them may be slightly higher.

Another form of European assistance can come from loans arranged through the European Investment Bank. The EIB is an independent, non-profit-making institution providing medium- and long-term loans and guarantees to help finance the capital cost of projects which promote regional development in the assisted areas, the common interest of several member states (such as better communications) or moves towards specific community policy (such as reducing dependence on imported oil).

Incentives

Both Wales and Scotland have enterprise zones and Wales has an embryonic urban development corporation in Cardiff which will eventually offer a number of incentives to incoming businesses. These are expected to be announced later in the year as the project gets under way.

Wales has three enterprise zones at Swansea, Milford Haven and Delyn, in Clwyd; Scotland another three at Clydebank, Invergordon in the Highlands and one on Tayside.

Each of the zones offers incomers a 10-year rates holiday and 100 per cent capital allowances for commercial and industrial buildings.

They also offer simplification of planning procedures, exemption from development land tax and from industrial training levies. However, the rates holiday operates from the inauguration of the zone and not from the setting-up date of a company and so any incomer will now have less than 10-year benefit. In the case of Swansea and Clydebank, both set up in 1981, the benefit is virtually halved for any company starting in either zone today.

A wide range of advisory services available through both agencies is available in the two countries. Finance, marketing, personnel and industrial engineering counselling can be sought.

In some cases, the agency will make available for a limited time the services of a manager/advisor to a company in trouble. It particularly sets out to help those concerns with up to 20 employees which may not have specialised managerial skills, such as treasurership.

As a result of the pool of expertise available every company in both countries and every intending incomer, should know there is a "lifebelt" at the end of a telephone line. The agencies place great emphasis on this aspect of their work and they have been able to succour and save many concerns that might otherwise have gone out of existence.

Anthony Moreton

Enterprise Agencies

Indirect but vital role

ACCORDING to the way they are defined, there are either 253 or more than 300 enterprise agencies in Britain. The difference in numbers is a story in itself, of which more later, but however many there are, their role in regional development is indirect, but important.

One reason why is that they provide the major vehicle for the private sector to take an active role in helping to develop a local economy. Before their invention and development, such vehicles hardly existed.

Another reason is because of what they actually do: they promote and assist the development of small and medium-sized businesses. This in turn is important to regional development for one single reason.

There is now wide recognition that though inward investment is necessary and welcome, there is only a limited amount of footloose industry and projects about—and fierce competition for it in costly fighting.

Everywhere has to make the best of what it already has, growing as much as possible from within. This means maximising whatever local potential there is for small businesses and the jobs they create. Enterprise agencies have proved a cheap, efficient way to do it and have the virtue of involving—and hence committing—most of the community.

Britain's pioneer enterprise agency was the community of St Helens Trust. The form it took—the basic principles of which have been copied almost universally—was the invention of Mr Bill Humphrey, whom Mr David Trippier, the Small Firms Minister, describes as "the patron saint of the enterprise agency movement."

Mr Humphrey, a highly experienced general manager with independent means, was engaged in 1978 by the Manpower Services Commission to see if a plan drawn up by a team of Pilkington executives to create jobs in the wake of impending technological redundancies in St Helens could be made to work.

Strategy

The plan was for what was basically a training workshop from which small companies could be spun out. Mr Humphrey, who had run Britain's first training workshop, Elephant Jobs in London, was convinced they did not create long-term employment because the work being done never got out of subsidy.

Long study of the problem brought the realisation that entrepreneurs created jobs for themselves and others—not governments or bureaucrats—but that there was usually nowhere for people to get unbiased advice on setting up a business. At the same time, most of the rules of the game had been written by government bureaucracy for big business.

The enterprise agency he developed was backed by Pilkington, other private sector companies in St Helens, and the local council. People were coming in for advice before it was even properly open and the stream has not stopped since.

Success was rapidly apparent and other callers came to see how they could copy the idea elsewhere. Mr Trippier, then a backbench MP, was one of the first, playing the central role in setting up the Rosendale Enterprise Trust in his own constituency.

Several events then led to the idea spreading much more widely: a visit to St Helens by Mr Michael Heseltine when Environment Secretary, an impetus for urgent action provided by the Toxteth and Brixton riots of 1981, the emergence of Business In The Community (BIC), tax incentives for private sector sponsors, and Mr Trippier's promotion to run small business policy in the Government in 1983.

He decided to push for 300 enterprise agencies by the end of 1986 and, by the Government's definition, he succeeded. This says that an agency is any body so designated for tax relief under the terms of the 1982 finance act, which allowed contributions to enterprise agencies in cash or kind to be offset against corporation tax.

The Government has used this to give enterprise agency status to various bodies connected with small business development and job creation to assist their obtaining private sector support.

Thus, Nimtech, a network of big companies in the North-West concerned with technology transfer to and from the small business sector, is an enterprise agency.

So is the West Yorkshire Enterprise Board, which provides regional venture capital and has used the status to avoid what would have been a crippling taxation burden on itself after the abolition of the county council which set it up. Innovation centres are also on the Government's list.

BIC, which acts as the umbrella organisation for the conventional type of agency, counts only these, which is where the figure of 253 agencies comes from.

All of BIC's 212 subscribers, which include most of the leading companies in Britain, support agencies in some way or another. Sometimes the way is cash for running costs, or it might be through provision of equipment, furniture or premises, but the most valuable resource is usually people.

The idea of secondment of experienced staff has developed massively with the enterprise agency movement. Some large companies such as Marks and Spencer were already using secondment to community projects as a means of management development but the agencies have enabled the concept to be extended considerably.

An important result of this has been a much more widespread understanding of small business by a growing number of big companies and their executives. "Buy local" policies have been one important benefit, often boosting the order books of thousands of small businesses in a region.

Do the enterprise agencies really work? BIC thinks so and says that small business growth where enterprise agencies are active is obvious.

St Helens, which has the longest experience, is a good indicator. When the Trust got going in 1978, unemployment was 6,207 or 10.2 per cent. The rate fell to 8 per cent within 16 months, a net gain of 660 jobs.

Then recession struck, resulting in the loss of at least 14,500 jobs in the town by the middle of 1984. Had the Trust not been there, there is a general belief that unemployment would have risen to about 20,000 or 33 per cent. In fact, the mid-1984 rate was 16.6 per cent—just short of 11,500 people.

So about 8,500 jobs appeared from somewhere. Progress has continued, with the local authority having its best year yet for letting factories to companies growing out of their original premises.

BIC estimates that at least one job per year is generated for every £120 that it costs to run an enterprise agency. In the St Helens case, this comes to at least 6,250 new jobs in the first six years, which is the right order of magnitude to confirm the figures above.

Ian Hamilton Fazey

A young client of St Helens Trust with a successful business tuning cars. Britain's pioneer enterprise agency—the Trust was the model for hundreds of other agencies

English Estates

Scope for expansion

EARLIER THIS month English Estates took advertisements in daily newspapers which set out to show how it had "matured into the largest developers and managers of industrial and commercial property in England."

What was more significant about the message than the fact that it drew attention to the number of people working in its factories (136,000) or the number of concerns that last year moved in with the corporation (over 1,600) was that it set out to compare English Estates with the Scottish and Welsh Development Agencies.

English Estates is the Government's development and property servicing entity for the English regions. Most of its operations are conducted within the English assisted areas, though it will, as in Chatham Maritime, or in the work it undertakes at the behest of the Development Commission, undertake projects outside these areas.

Activities

Because of its connections with the assisted areas—it was set up in 1936 to bring succour to the depressed areas and, in particular, to the North East, and still has its headquarters on Gateshead's Team Valley estate—it is increasingly seen as, and wants to be seen as, an embryonic English development agency.

This is why a reading between the lines of its advertisements is more important than the factual message conveyed.

Regional development for England is very much in the political air. The success of the Welsh and Scottish agencies has been noted throughout Whitehall: just before Christmas No 10 Downing Street called for a report on the work of the Welsh agency.

Two of the three leading political parties—Labour and the Alliance—are committed to extending the principle of agencies to some of the English regions. The Conservatives are known to be considering ways in which at least two English regions—the North East and the North West—and possibly two more—Devon and Cornwall and the West Midlands—might be given agencies along the lines of Wales and Scotland.

Any such extension would crucially involve English Estates. Although its primary role is as a developer and manager it is vitally positioned to take a leading role in any agency developments that might emerge after the next general election.

Under Mr Christopher Wates, the chairman, and Mr Tony Pender, the chief executive (who moved to Gateshead from a post with the WDA), English Estates has been enlarging its overall interest in the regions.

It has diversified its management structure and given considerably more executive powers to its regional managers. It could, with some ease, adapt itself to working with other organisations in the creation of regional agencies and there are grounds for believing that it not only could do so but would welcome such a change of emphasis.

English Estates has used the opportunity of undertaking the development of the old Chatham dockyards to show how it could develop along regional lines.

Chatham Maritime, as the scheme is now called, has become one of the most important developments in the south of England, half way between the prosperous London area and the Channel ports.

Following the closure of the dockyards in March 1984 the Government was anxious to do something to restore an area which while not depressed was in grave danger of sliding downhill.

The answer was to provide a campus-style business park within a high quality landscaped area that would take full advantage of the waterfront provided by the Medway. The intention was to attract in the sort of high-technology companies that were going to the science parks in places such as Cambridge.

Chatham Maritime started with the advantage of having an enterprise zone within its borders, which meant that entrants to this area—part of the larger area—could receive a 10-year rates holiday, exemption from development land tax, 100 per cent capital allowances and simplified planning procedures.

Newcomers

The Chatham area has already attracted a number of concerns of the sort English Estates is anxious to attract. Just outside the dock gates Lloyd's of London has established a large decentralised office block. Two departments of the Overseas Development Administration have taken a lease on some 300,000 sq ft of the former naval barracks and other companies have indicated their interest even though it will be some time before they are able to move in.

Under the revised financial arrangements worked out by the Government for English Estates last March the organisation has much more freedom to choose the way in which it wants to go about its affairs. It has the greater freedom of initiative that will stimulate management. English Estates is now in a position to play a much more active role in English regional affairs, should the Government want it to do so.

Anthony Moreton

Regional Development 6

Venture capital backing

Stark contrasts between regions

ON THURSDAY of this week, Investors in Industry—the finance group owned by the Bank of England and the clearing banks—which is better known as 3i, will sponsor a seminar in Liverpool on management buy-outs. The event is a small but significant symptom of regional under-development in Britain.

So far, 3i has funded more than 600 buy-outs nationally. According to accountants Peat Marwick, the North-West is one region where there is growing interest in buy-outs as recession-hit industry restructures itself. Peat's Peter Evans will speak to the seminar.

For both 3i and Peat Marwick, this is one way of prospecting for potential new clients, as well as trying to build up a momentum on buy-outs in the regions. Most agree that the regions need this increasing momentum, as buy-outs have emerged in recent years as one of the safer forms of venture capitalism.

Indeed, if regional development depended on whether small and medium-sized companies outside London and the South-East could easily get venture capital backing for growth, there would be very little regional development in Britain.

Few things illustrate regional imbalance more dramatically. If 3i's contribution is excluded, then in 1985—the last year for which there are comprehensive figures—59 per cent of all funds available for venture capitalism went into London and the South-East, with the South-East, north of the Thames, doing better than the opposite bank.

This was despite the fact that the rest of the country is where 70 per cent of Britain's VAT-registered businesses are based. Indeed, the East Midlands, Yorkshire and Humberside, the North and the North-West combined received only an 8.3 per cent share of the venture capital cake.

The figures come from a survey of regional venture capital carried out by the US-owned consultancy, Venture Economics, and published late last year in its *UK Venture Capital Journal*.

Even if the nationwide activity of 3i is taken into account—it has 21 regional offices—the imbalance is still a striking one. 3i's investments are difficult to break down into straight venture, or risk, capital, but the Venture Economics survey showed that of what 3i advanced in loans and shares, 50 per cent nevertheless went into London and the South-East.

Pushing the virtues of management buy-outs in places such as Liverpool is necessary because the accelerating rush of buy-outs in the last two years has accentuated the national imbalance of venture capitalism even more. In 1984, before the buy-out rush was really under way, London's share of venture capital funds was 26 per cent since then, most of the bigger buy-outs have been of London-based companies.

In 1985 London's share of the venture capital cake rose to 35.5 per cent because of this. At the same time, the numbers of companies involved comprised only 23 per cent of the national total. So London got more money for bigger individual venture capital deals.

Seminars in the regions will do little to change this, but most of those involved believe they are better than nothing.

There is also a growing recognition that history and attitudes have a lot to do with the way things are. Financial Britain is centred on London. It is where most of the specialist lenders and funds are based. There is an automatic and justifiable assumption that venture capital has to be sought in London.

This helps precondition attitudes among people and institutions—and particularly public sector pension fund managers—who invest in the funds in the first place. For example, Mr Barry Anysz, a highly experienced fund manager who operates three successful business expansion schemes from Leeds, tried to set up a development capital fund in his area last year and was widely rebuffed.

Yet one large local authority which refused him £250,000 from its pension fund admitted while doing so it was giving £2m to a new, untried fund being set up in London by a well-known stockbroker. Mr Anysz was aggrieved because his fund will be only for projects in Yorkshire and Humberside: it is unlikely that much money from the London-based fund will find its way north at all.

This will not necessarily be because of wilful neglect of the regions by London fund managers: according to Mr Robert Smith of Charterhouse Development Capital, "you need local knowledge to clinch a good deal" and there is a lack of it in London about the regions.

At the same time, he says that the relative economic buoyancy of London and the South East means that there is no shortage of good ventures on London managers' doorsteps. The resulting imbalance is therefore almost inevitable.

A major step towards tilting the balance was taken last year when leaders of the financial services industry formed the Manchester Financial and Professional Forum (MFPF). This is chaired by Mr Fraser Grant, senior partner in Manchester of Spicer and Pegler, with heavyweight support from the regional offices of 3i, County Bank, British Linen Bank, and half a dozen other bodies.

The idea is that northern companies will not have to go to London to fund even seven-figure deals. Members of MFPF will be able to syndicate them in the regions. This has already happened with some buyouts and Mr Peter Folkman of 3i's Manchester office expects to see a big increase in this sort of activity.

The other factor in the regional imbalance of venture capital is London overheads. These are seen from the regions as sky-high because of London rents, rates and — a very sore point in the ever-busier financial services sectors of Leeds and Manchester — salaries.

The administration charges thus caused can make London-based venture capital funds very expensive to investors. They invariably mean that it is not worthwhile for a London fund to back any company wanting less than £250,000 or, in many cases, much more. Since it costs as much to evaluate and administer a small project as a big one, people understandably opt for economy of scale.

This has caused what is known as the "equity gap" and several locally-based regional funds have been set up to fill it. Northern Investors in Newcastle upon Tyne, the Avon Enterprise Fund in Bristol and the North-West Investment Fund in Chorley, Lancashire, are all examples.

So are developments such as Mr Anysz's business expansion funds, which handle £1.57m from private individuals in Yorkshire and are helping the growth of 16 local companies.

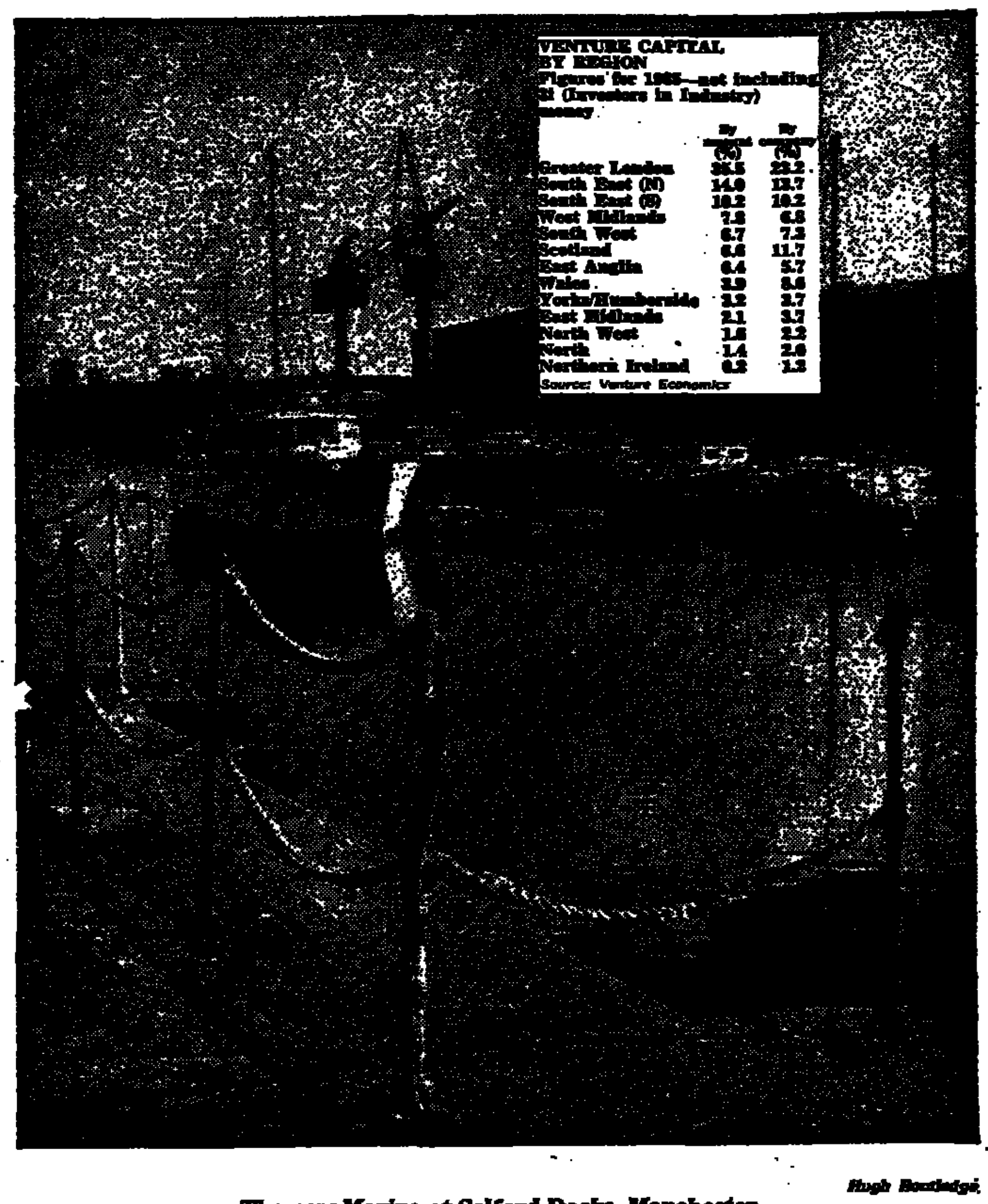
So, too, are the enterprise boards set up by the defunct metropolitan councils. These have continued as entities in their own right and political influence has ensured that they attract local authority pension fund money at least.

Their role is also much wider than filling the equity gap and the government has recognised their value in helping to correct regional imbalance by giving the West Yorkshire Enterprise Board (WYEB), for example, enterprise agency status. The advantage of this centres on taxation: supporters will be able to write off contributions against tax and the board's own profits will be totally re-investable.

Events are therefore moving on the venture capital front, albeit slowly. The key factor in spurring change is probably the growing awareness of the problem at all levels, including the cabinet, where Mr Paul Channon, Trade and Industry secretary, has acknowledged the need for more venture capital in the regions.

Whether the government will back this desire with more incentives like that for WYEB is something the venture capital industry awaits with interest.

Ian Hamilton Fazey



VENTURE CAPITAL BY REGION
Figures for 1985—not including 3i (Investors in Industry) money

	By amount (%)	By company (%)
Greater London	35.5	23.2
South East (N)	14.0	13.7
South East (S)	10.2	10.2
West Midlands	7.8	6.8
South West	6.7	7.3
Scotland	6.6	11.7
East Anglia	6.4	5.7
Wales	3.9	8.6
Yorks/Humberside	3.2	2.7
East Midlands	2.1	3.7
North West	1.6	2.2
North	1.4	2.0
Northern Ireland	0.2	1.3

Source: Venture Economics

Hugh Routledge

The new Marina at Salford Docks, Manchester

Nissan's Sunderland success helps to attract more foreign investment

Valuable boost for the North East

NISSAN'S NEW £50m car factory in Washington, Tyne and Wear, last month swept smoothly to its initial production target of 95 Bluebird saloons a day, fulfilling all hopes that the Japanese company's choice of the North-East for its British plant was the right one.

Production has actually dropped back slightly since then, but for the best of reasons: the five-door model of the car is being introduced and the workforce is therefore on a new learning curve.

On January 1, the managerial driving force behind the plant, Mr Ian Gibson, was rewarded with a seat on the main board of Nissan Motor Manufacturing (UK) as deputy managing director. Mr Peter Wickens, the plant's personnel director, was elected to the main board with him.

Before joining Nissan, both men had front-line experience at senior level of the British motor industry with Ford. Then Mr Gibson worked for Ford in Europe, while Mr Wickens went into canning, then the gas industry.

Mr Gibson believes that the speed of the production build up—21 weeks from start-up—would be creditable for any established car-maker. In Nissan's case, the achievement is doubly impressive because it has come less than 29 months after construction of the factory began on the disused Sunderland Airport, and with a largely "virgin" workforce as far as the car industry is concerned.

Nissan bought 297 acres of the airport for the plant, and took an option on another 503 acres. It will be needing all the land much sooner than anticipated because the Sunderland success has encouraged Nissan's Japanese headquarters to accelerate its plans.

Phase Two of its British project will see local content of the cars rise to 60 per cent by 1988—two years ahead of the planned date—and 80 per cent by 1991. Then, production will be up fourfold on today, at 100,000 vehicles a year.

What is happening at Nissan in Sunderland, however, has more than local significance. When the project was first announced there was criticism that a great deal of government time and money was going to lead, initially, to only 470 jobs.

Was the effort needed to attract inward investment therefore really worthwhile?

Would the resources concerned be better in something else, or somewhere else, fuelling other growth or slowing down another industry's decline?

The answers to these questions are, however, emerging with a vengeance as it becomes clear just how great a prize Nissan is for the North-East.

To start with there are the jobs at Nissan itself. Although 70 specialists had to be imported to counter the area's lack of professional and engineering know-how, the rest went to local people. But the present workforce will provide the shopfloor leadership for the next generation of employees, who will total 2,700 within four years.

Then there are the jobs outside. The Sunderland cars have never been, in the industry's parlance, completely knocked-down kits for mere assembly. Deliberately, there are missing pieces. The consequence is that indirect employment is being created by the plant as more and more British and EEC components are used.

When the Prime Minister opened the factory in September, 27 British component suppliers had been approved. Now there are 58, with a further nine in mainland Europe. Initial plans were for a domestically-sourced content of 40 per cent in the first phase of the project: this figure is now likely to reach 50 per cent in the first year of production.

When the figure reaches 60 per cent, the cars will be *officially classified as British*. By then, production will have begun of left-hand drive models for export. Within a year of that, exports should account for one-third of output.

By 1990, when the factory has its own engine machining facilities to add to its press shop and plastic moulding plant, Sunderland will be ready to design and build Nissan vehicles exclusively for British and European markets.

However, the importance of it all does not stop there. Nissan's executives believe that the first stage of achieving success was making the right choice of location for the factory in the first place. The Sunderland site won against fierce competition from five others in Britain.

Mr Mac Campbell, of the North of England Development Council, says: "It was the most exhaustive and intensive analysis of a location that has ever been done by an overseas company. The spin-off has been very important because many other inward investors have adopted the attitude that if the North-East is good enough for Nissan it must be good enough for them, too."

This has been as true of Japanese companies as of others in south-east Asia and elsewhere around the Pacific Rim. There are now 13 Japanese companies established in the North-East out of 22 from the eastern hemisphere. Of the others, three are from Hong Kong, one each from Singapore and South Korea and four from Australia.

Komatsu, the earth-moving equipment manufacturer, is regarded as equally important to Nissan as a contributor to a critical mass that is likely to attract others. In Komatsu's case, new types of labour relations agreements—such as "pendulum arbitration," where an outside opts for one side or the other in a dispute—may well set a pattern for elsewhere.

A few companies—NSK (ball and roller bearings), polychrome (printing plates), and NKK (zips)—were in the region before Nissan's decision, and probably helped influence it. But the rush has been since then, and has encouraged the development council to open offices in Tokyo and Hong Kong. *Mr Campbell says that the situation continues to look promising.*

The companies involved so far are nearly all manufacturers. They include Ikeda Hoover (car seats and interior trim), Tabuchi electrical (transformers), Activebadge, Tin Lung Knitwear and Superbadge (textiles), Thermax (toughened glassware) and Tolaram (*polymer chips*).

SP Tyres is also at Washington. This was the former Dunlop factory bought by Sumitomo Rubber. It has made productivity gains of up to 20 per cent under its new owners, with substantially the same workforce and management. This in itself is a valuable advertisement for the qualities of Geordie workers.

The arrival of Nissan has therefore been a watershed in attracting inward investment in sufficient volume to have what should be a strategic effect on the region's economic development.

If one form of economic activity always helps to generate other economic activity, then the north-east is proving the value of prospecting for newcomers at the highest level, as well as making it worth their while with grants and incentives.

Ian Hamilton Fazey

Glenn Cosun

British and Japanese workers on the Bluebird production line at Nissan's £50m car factory at Washington, Tyne and Wear

Science and technology parks

A substantial increase in new tenants

THE SALIENT feature of the science park movement last year was its growth. The number of parks associated with universities increased in 1986 by five to 28 and work began on sites at Sheffield, Antrim, Cardiff, Keele and St John's College, Cambridge.

The number of tenants also increased rapidly, from 288 to 412 at the end of last November, according to the UK Science Parks Association. Furthermore, the area occupied by companies on these parks rose by almost a third during the 12 months to 1.89m sq ft.

This is by no means the full story. There are also science parks at Sussex University and the Cranfield Institute of Technology which are not recognised as such by the association, as they are not "managed." Nor does the association officially recognise the large number of parks, such as Birchwood at Warrington, which are primarily commercial enterprises.

Explosion

The explosion in numbers will continue this year. Parks linked with colleges in Aberdeen, Salford, Sunderland, Essex, Portsmouth Polytechnic, Imperial College London, Oxford, Reading and St Bart's Hospital, London, are hoping either to start construction during the year or in the near future.

It is expected that a further £61m will be spent on science park developments on top of the £92m already committed.

By the time all the parks under construction or consideration are completed in the early 1990s, Britain should have more than any other country and just over a third of those in the US.

The big growth in park development dates from 1982 when construction of the second wave began in Britain. The idea of science parks originated in the US at the University of Stanford and was brought to the UK in the mid-1960s by the Labour Government led by the then Mr Harold Wilson.

Anxious to encourage the development of newer, advanced, industries to replace the declining coal, steel and shipbuilding sectors the Prime Minister wrote to all the universities in the UK suggesting they might set up areas where technology transfer could thrive.

The idea was received enthusiastically in only two places, Heriot-Watt University in Edinburgh and in Cambridge, where Professor Nevill Mott, then Cavendish professor of experimental physics and a fellow of Trinity College, quickly saw the benefits that could arise from the prime ministerial initiative.

Heriot-Watt and Trinity both had specific, and different, reasons for wanting to pick up the challenge.

Heriot had not long been set up, had moved to a new site outside the city centre and wanted to develop its links with advanced industry which had been developed around Edinburgh during and after the Second World War.

At Cambridge, Trinity was anxious to find an alternative path to the development of some land it owned on the edge of the city. The college did not particularly want to go down the conventional office-block commercial route and felt it could better use the land in a way that complemented its teaching and research role.

Despite the quick response to the Wilson initiative it was to be seven years before the first tangible evidence of a science park emerged at either centre. Another seven or eight years were to elapse before any other university would follow suit.

Debate

Then, in the early 1980s the success of Cambridge in particular, whose development attracted world-wide attention, led to a mushrooming in interest.

There are disputed views why so many science parks sprung into life at this time. Some science park leaders attribute the growth to the constraints increasingly placed on university finances by the present Government. They argue that as it became much more difficult to fund all the research the universities wanted to undertake they were forced to look elsewhere, encouraging staff and others (many of whom were former staff) to do their own research, privately, in an associated environment.

Not everyone accepts this view. There is a feeling that universities would have encouraged science parks in any event because of the growing interest in technology transfer and the ethos of the small firm. Universities in the past few years have wanted to be associated with both areas whereas in the 1970s there was far less enthusiasm.

Whatever the reasons, there has been little regional input into the science park movement. Science parks have been created where universities exist. Having set the ball moving the Government then stood back and allowed them to grow without any other involvement.

Those parks which exist in regionally-assisted areas — Durham, Glasgow, Liverpool, Leeds—have qualified for the mandatory regional development grants towards new plant and new buildings.

In reality, most of the parks have been created in areas which do not qualify for regional assistance and it is doubtful if they have been given much government aid. This means they have been cut off from sources of European aid, too, since Brussels only assists those areas which are delineated by national governments as assisted areas.

Investment

There has, however, been a considerable input by regional authorities towards the movement. In Scotland the Scottish Development Agency has actively helped establish science parks and been involved in those in Glasgow, St Andrews and Stirling.

The Welsh Development Agency was slower to throw its weight behind the movement but in the past few years it has made strenuous efforts to catch up and either it or Mid Wales Development, the Government arm that looks after rural mid-Wales, have been involved in parks in Aberystwyth, Wrexham and Swansea.

Similarly, English Estates, the Government's development arm for the English regions, has been actively promoting their construction in Bolton, Bradford, Durham, Leeds and Hull while the Northern Ireland Development Board has been a partner with both the Queens University in Belfast and the University of Ulster in the Antrim Technology Park.

Figures from the Science Parks Association show that of the £92m invested in property so far, two-thirds has come from the public sector.

Private involvement in science parks has been equally slow. One feature of the British movement has been the almost complete lack of interest in the parks by the private financial institutions. Only six parks have private developers, this despite the fact that the occupancy rate is high and the number employed on the parks is growing, having jumped 53 per cent last year to 5,300.

Science parks have come and are here to stay. Cambridge has proved that. Trinity's Cambridge Science Park is to be joined later this year by an innovation centre set up by St John's College.

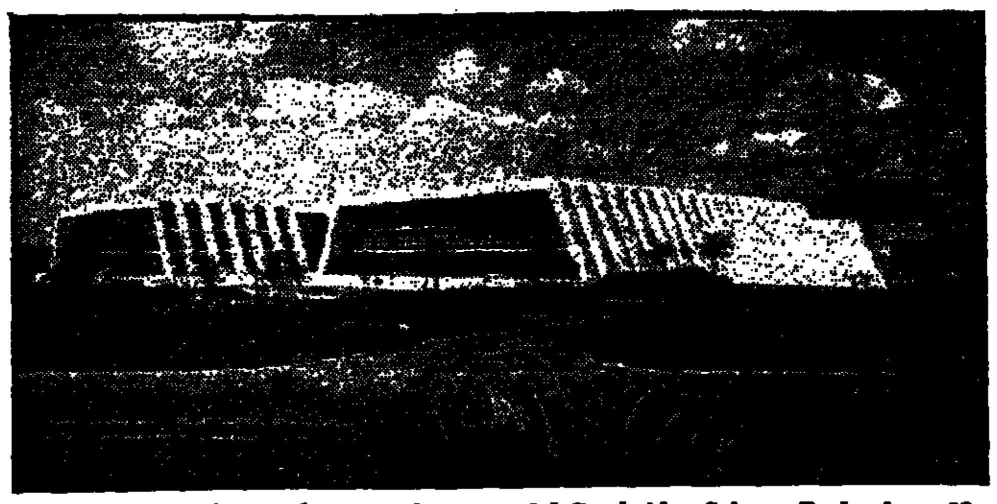
The two colleges are next-door neighbours in the city; their science parks face each other on the outskirts. Given the nature of the movement it is likely that Cambridge will have the unusual distinction of having two parks at a time when Oxford, does not have one.

Anthony Moreton

The Mall at Aston Science Park, Birmingham, is a turn-of-the-century warehouse refurbished to high technology style

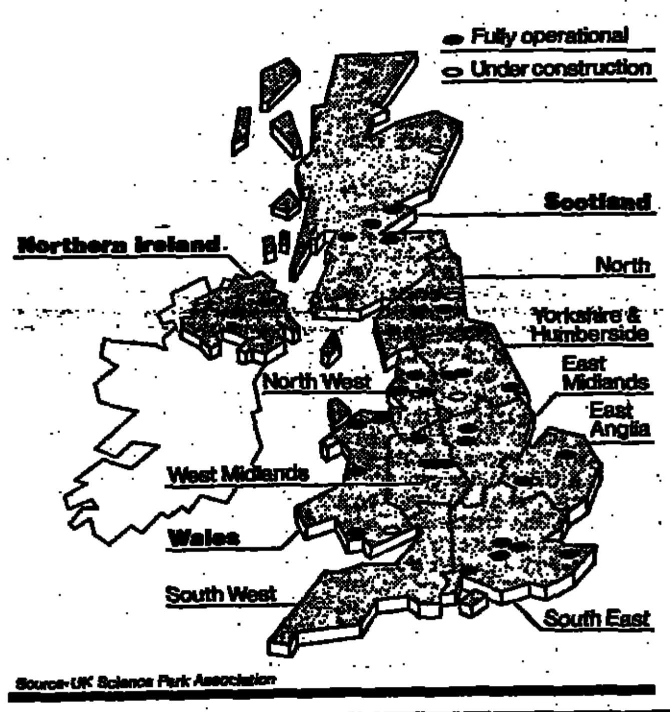
BRITAIN'S FULLY-OPERATIONAL SCIENCE PARKS

University/College	Date of opening	No. of companies on park
Aberystwyth	Feb 85	5
Aston (Birmingham)	1983	35
Birmingham	April 86	8
Bolton	Oct 86	10
Bradford	March 83	24
Brunel (Uxbridge)	April 86	9
Cambridge	1972	68
Durham	Oct 85	5
East Anglia	Feb 84	4
Glasgow/Strathclyde	Sept 83	15
Heriot-Watt (Edinburgh)	1972	18
Hull	Dec 84	12
Kent (Canterbury)	Feb 86	2
Liverpool	1982	12
Loughb'r'gh	April 84	16
London (South Bank)	April 85	26
Leeds	June 83	11
Manchester	Dec 84	13
Newtech (Clwyd)	Dec 85	4
Nottingham	Dec 84	14
Southampton	1984	15
Surrey (Guildford)	1984	9
St Andrews	Dec 84	1
Stirling	June 86	—
Swansea	July 86	4
Warwick	Feb 84	30
Total companies		380



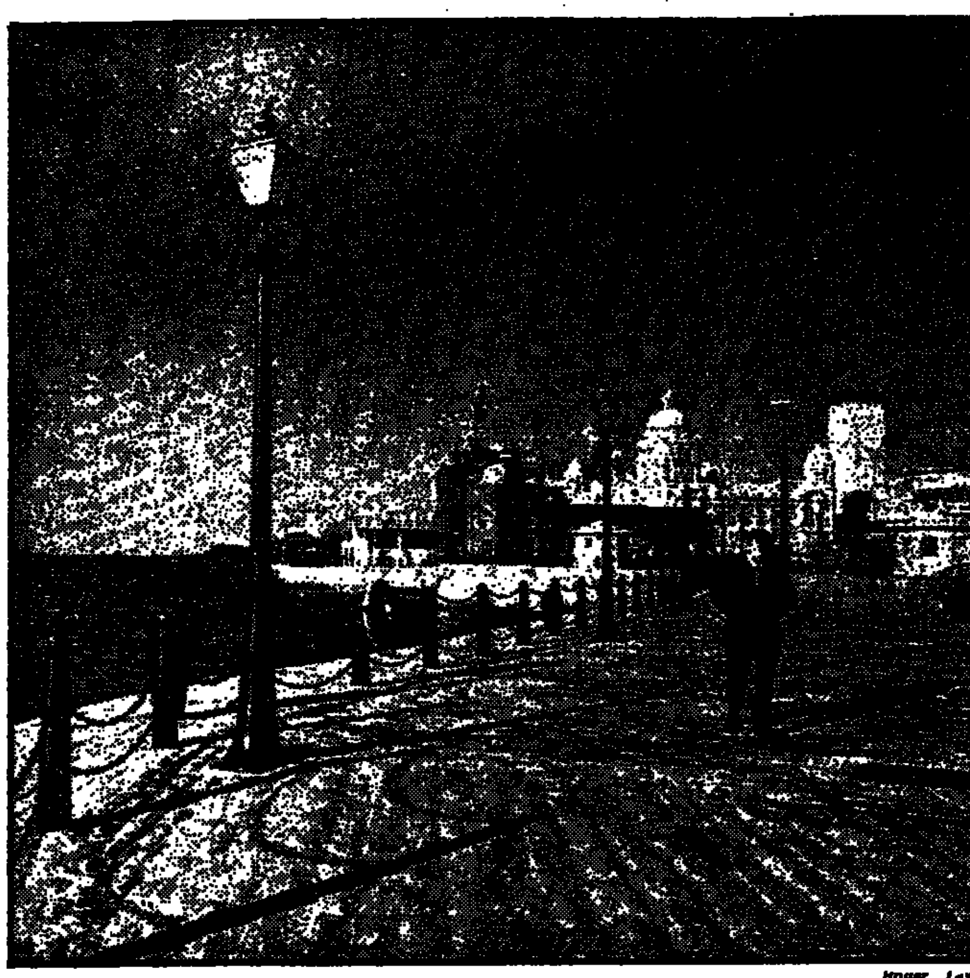
A view, above, of part of the highly successful Cambridge Science Park where 68 companies are now located. Below, Mid Wales Development's new Technology Park at Newtown. The development is set in landscaped grounds overlooking the town's golf course

Science Parks in the UK



Britain's big industrial cities

Down, maybe—but not out


Roger Taylor

Urban Development Corporations in Merseyside (above) and London have established what the Government believes is a workable and replicable pattern for other areas

BRITAIN'S great industrial metropolises, the legacy of the rapid growth which followed the industrial revolution, are down but not, it would appear, out.

The net loss of 1,107,000 jobs in the North between 1979 and 1986, revealed in recent Department of Employment statistics, is, indeed, all too evident in, for example, Birmingham, centre of a region with more than 350,000 jobless and the fastest rate of increase in unemployment of any part of Britain since 1976. It is clearly evident also in Manchester where, in old inner industrial areas, total job losses exceed those in steel closure towns, such as Corby.

Yet, paradoxically, decline has been accompanied in these and other cities by a level of investment, albeit not in manufacturing which is probably greater than at any time since the 19th century. The physical face of Glasgow has been changed not just by the massive clear up of the run-down eastern area of the City through the Scottish Development Agency-inspired Glasgow Eastern Area Renewal (GEAR) Scheme.

In the city centre itself, older buildings have been cleaned, and in some cases put to new leisure or residential uses.

New commercial developments, some of them tailor-made for specific clients such as Britoil or Coats Viyella—two companies with headquarters in the city—have been put up, while others, in an act of confidence by developers in the city, have been built speculatively ahead of demand.

In Manchester, local authority and private sector interests have been the driving force behind such developments as the conversion of the former Central Station into a new exhibition facility, G-MEX, and the transformation of industrial and transport buildings in the Castlefield area into heritage museums capable of generating substantial tourist traffic.

Bristol too, has seen substantial investment in its disused docks which represent again an important asset for the city, offering a range of employment opportunities in warehouses and other buildings converted for leisure, tourist, commercial and residential use.

In Birmingham, a new £130m Convention Centre creating 2,500 new jobs, and new hotels are being built close to the city centre to complement the highly successful National Exhibition Centre.

The evidence is too flimsy to talk of a renaissance in any of these cities while acute social and economic hardship continues to face large sectors of the population in inner city ar/as located not far from reviving central business districts.

Even in Bristol, which falls south of Britain's dividing line of prosperity from the Wash to the Severn, there are large areas of poverty, and not just in the ethnically-mixed St Paul's area. The south of the city has been badly hit by closures in the tobacco and packaging industries and, according to city council figures, one-fifth of the population lives in poverty.

After years of struggling—usually in vain—to prevent industry slipping away because of inducements, lack of developable space, or for some other reason, to more attractive greenfield locations in the New Towns or elsewhere, several of Britain's biggest cities are beginning, however, to find that the shift in the economy towards services can be used to their advantage.

Businesses, both services and manufacturing, have been tending over recent years to buy-in new services or to contract out existing functions to specialists, in computing, public relations, recruitment or any number of other disciplines.

Complexity

The increasing complexity of business operations and the need to concentrate human and financial resources on core activities has been the main reason for this trend, and the result has been the growth in the consultancies of every kind.

The bigger cities have benefitted because of the tendency of services such as these to thrive off each other and hence to operate in clusters. While the overwhelming bulk of business services and, in particular, financial services, such as merchant banking, are provided from London, one of the factors behind the very strong services employment growth in the South-East, important clusters have developed in other cities as well, usually those such as Manchester, Birmingham or Leeds, which have established a dominant position over other cities in the same region.

Linking in with this growth of business services has been a growing aceptance by local authorities in larger urban areas that services in general should not be derided but represent the best hope for job creation.

In Manchester, for example, a campaign in operation for five years has succeeded in changing significantly for the better perceptions within the region about the City Centre and this has brought a sharp rise in retail trade and a strengthening of the property market. The city centre, partly as a result of transport policies which discriminated against use of the car, had been losing retail custom to other centres in the towns which surround Manchester.

The council has developed a more flexible stance in this field and also contributed in other ways to improving the attractiveness and accessibility of the city centre. Business has been prepared to sponsor events and schemes and has further shown its confidence through involvement in various urban renewal projects in the city centre itself.

These include not just the G-MEX scheme, in which Commercial Union played the major role alongside the Greater Manchester Economic Development Corporation, but also the conversion of old warehouses into housing, the refurbishment of the Midland Hotel, and various schemes in the city's business district around Spring Gardens.

The Labour-controlled city council has also joined with the business community to develop an approach known as the Manchester Factor. Out of this has come a series of briefing papers aimed at guiding those interested in doing business in the city to sources of help both in the private and public sector.

At the same time, various individuals and companies providing professional services have banded together to form the Manchester Financial and Professional Forum, the object of which is to promote the city as a financial centre. By making better known the range of services which can be obtained in Manchester it is hoped that businesses throughout the region can be persuaded to look to the city first, before travelling to London.

In Glasgow a similar co-ordinated effort by both private and public sectors has produced an even more remarkable turnround in the City's image and to judge by the central business district alone, its fortunes.

The starting point was perhaps the Glasgow's Miles Better campaign initiated by its then Lord Provost, Robert Gray, a public relations effort intended originally to boost morale but subsequently backed by more tangible measures designed to win for the city a share of growth sectors within the economy.

The SDA having previously concentrated most of its efforts from the late 1970s onwards on relieving economic and social distress in the City—for example, through GEAR—was anxious to play instead to certain strengths which it identified—not least the opportunities it offered, as Scotland's biggest population centre, as a service base.

New schemes

The private sector has been encouraged with SDA assistance to participate in a number of schemes aimed at improving office and retail provision in the city which had began to fall seriously behind standards in other more prosperous locations.

The agency has helped put together with the private sector a £60m scheme for redeveloping the 16-acre St. Enoch station site and has also been involved with the two local authorities covering the area in schemes to convert old commercial buildings at Briggait and in Ingram Street for retail, leisure and residential use.

A much more ambitious scheme being undertaken by a group of British and European institutions will create 400,000 sq ft of retail space in Buchanan Street and also provide the city with new concert hall facilities.

Other efforts to capitalise on the privae sector's new interest in Glasgow city centre's commercial possibilities are being channelled through Glasgow Action, a new body set up by the SDA but in which it now plays very much the junior role to local business and industry sponsors.

Glasgow Action seeks to identify development opportunities and to find "champions" prepared to carry them through. It is also spearheading the city's campaign to persuade business from inside Britain and outside to make the city the headquarters for their European operations.

Birmingham's approach has been some what different, having to be tailored to make the best of its greater proximity to London compared with centres in the North.

The city has, partly because of this closeness failed to develop the range of financial services available in Manchester — a base for some 60 foreign banks — or the number of separate financial institutions which exist in Manchester or Glasgow and Edinburgh.

Birmingham has been able to take advantage, however, of the vast population within easy reach in the south-east to develop in the National Exhibition Centre, a UK facility capable of competing with international centres on the continent. Ease-of-access from London was also a factor which enabled Birmingham to compete — albeit unsuccessfully in the end — as Britain's candidate for the 1992 Olympics.

The city is hoping the success of the NEC — now 10 years old and recently doubled in size — can be repeated in the Convention Centre.

Birmingham, along with major cities such as Bristol, Glasgow and Manchester, is also seeking to build up other visitor business to generate increased trade for city centre shops, hotels and restaurants. Though it lacks Bristol's quaysides or Glasgow's Victorian street pattern, it does have an industrial heritage from the 19th century, a canal network with leisure potential and a number of important museums and other sites, not to mention Stratford on Avon and other Warwickshire attractions, not too far away. Efforts are now being made to stimulate investment by the tourist industry.

The bigger cities have also began to capitalise on their ability to offer a wide range of cultural activities and entertainment from opera to pop and have began, as for example in Manchester where the Opera House has been re-opened, to cater for audiences capable of being attracted from over a wide area.

Bristol promotes itself through a series of festivals including its now well-established wine festival and Glasgow is looking for a big increas in visitors from both the Garden Festival in 1988 and from its designation as European City of Culture for the year 1990.

In none of these cities would it be claimed that service growth was going to provide all the answers. In Birmingham, the city council and the West Midlands Enterprise Board have developed policies over recent years for strengthening what is seen as the bedrock of the area's economy—its large number and variety of medium-sized companies. The aim is to strengthen the area's existing "lead" industries and to create new ones especially in high technology.

Investment

In Manchester, similar efforts to sustain existing industry are pursued by the GMEDC and in all the major cities there is concern that manufacturing should be present in sufficient strength to generate real wealth.

Yet while services industry growth has been a positive development for several major cities such as these, helping to generate new investment in city centre facilities, helping in turn to make these centres attractive for other visitors as well, the development also begs a number of questions.

The tendency of business services to cluster and the ease with which journeys can be made by motorway over wide areas is likely to mean a small number of cities — perhaps only those mentioned together with Bristol and Leeds — will establish themselves as the dominant service providers. Prospects for a second tier of city from which older industries have also departed could thus be made even more bleak.

There must also be doubts about the contribution which the growth of services in centres such as these can make to employment and personal incomes. Many of the jobs in the tourist related services now being encouraged in cities like Bristol and Manchester are likely to be lowly-paid, and part-time.

There remains, too, another unanswered question — the length of the professional and consumer services tail which can ultimately be supported by a shrinking manufacturing base.

Policies aimed at revitalising manufacturing in Britain's older cities will still be needed, and should perhaps concentrate even more on promoting their role as seedbeds, generating smaller businesses which perhaps inevitably will want to expand to the more open sites available in smaller towns.

When all this is said, however, the developments taking place in the central business districts of some of Britain's great cities do appear to offer a ray of hope.

Big cities such as Manchester, Glasgow and Birmingham have the scale and size to offer diverse range of cultural and entertainment facilities, large scale education campuses and international air links not to mention the professional services of a range of accountants, merchant banks or business law firms. The future may not, after all, lie entirely with the small country towns (mainly in the south) so beloved of high tech companies.

Rhys David

Regional Development 9

The Shire Towns

Small becomes more beautiful

AN ECONOMIC map of Britain shows the more rural and suburban areas winning out increasingly in terms of prosperity at the expense of the big cities. In this context, the country towns, relatively small and self-contained and many of them in the better-off southern regions of the country, appear to be the areas which will see the lion's share of any economic growth in the closing years of the 20th century.

It is worth remembering how recently, in historical terms, Britain was overwhelmingly rural. In 1750, only two cities, London and Edinburgh, had more than 50,000 inhabitants.

With the advent of the Industrial Revolution, the number crept up to eight by 1801 and then flew to 29 by 1851, of which nine had more than 100,000 citizens. Only by that stage did more people in Britain live in cities than in the countryside.

New magnets

The past 20-30 years have effectively put into reverse the gradual growth in importance of the cities. The conurbations have generally lost ground in terms of population, overall job numbers and new employment opportunities whether in service-based businesses or light manufacturing industry, with its emphasis on new technologies.

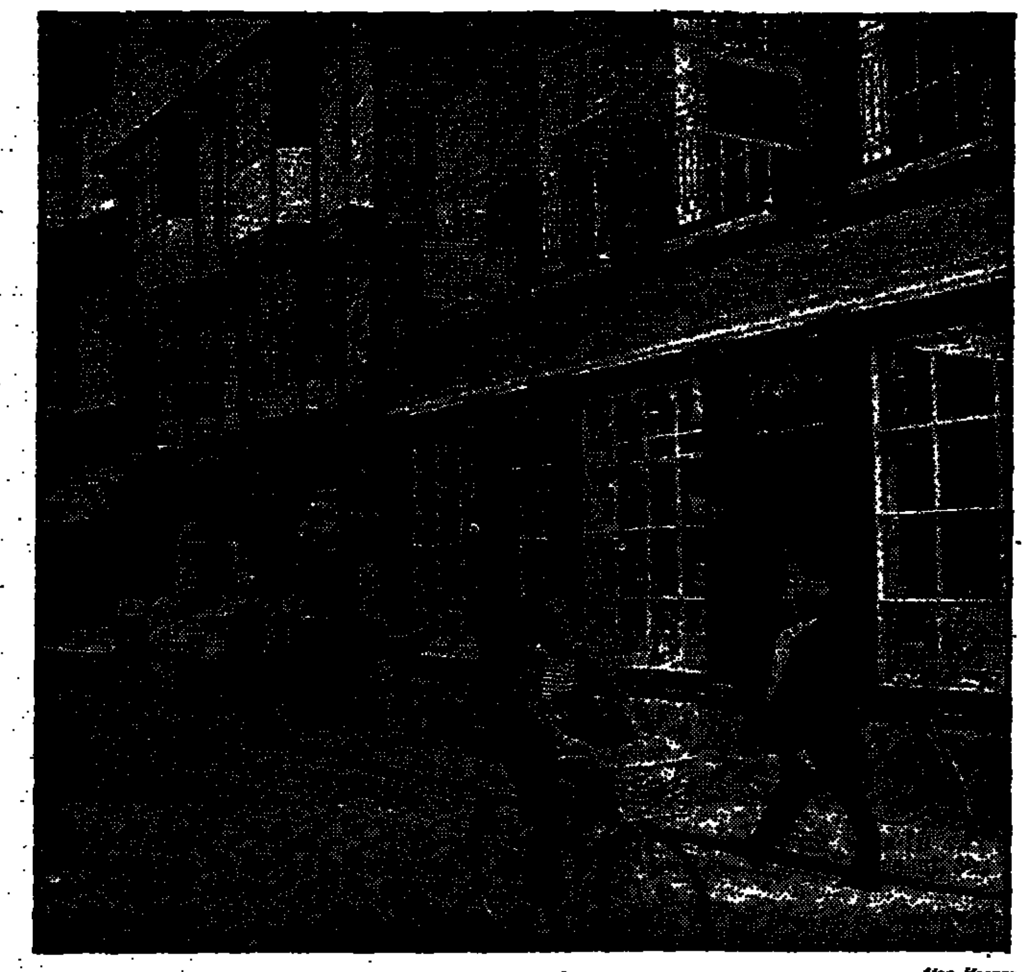
According to Dr David Keeble, a geography lecturer at Cambridge University who advises the European Economic Commission on planning issues, the country towns, with typical populations of 100,000 to 150,000, are becoming the magnets for new economic activity. Places like Exeter, Salisbury, Winchester, Cambridge and Cirencester are "highly attractive places where people want to live. They combine urban facilities which people need and want with good communications and, frequently, an uncongested and historical environment which they find agreeable." Not all are in the prosperous south—Lancaster, Thirsk, Richmond and Morpeth are just a few of the examples to be found in northern Britain.

All are places, Dr Keeble points out, which were virtually bypassed by the Industrial Revolution of 150-200 years ago. As a result "they are not saddled with old and declining industries or with large-plant businesses." This accident of history, says Dr Keeble, has contributed to making the populations of the country towns less dependent psychologically on large-scale industry and more entrepreneurial in spirit. In turn, according to his thesis, this has encouraged the growth in such centres of new businesses.

Changes in technology have also aided the trend in favour of the more rural areas and away from the conurbations. Today's high-value manufactured goods are, increasingly, the result of work by small teams of technicians rather than by large numbers of unskilled workers. This has led to a shift in focus in manufacturing from big to small plants and, correspondingly, away from urban centres with their concentrations of cheap labour.

The motorways and the growth of transport and courier services mean that a physical distance between factories and their customers is less important. Data networks and new telephone services have a similar impact.

A report last year by Cambridge Econometrics, the forecasting group, on regional development in Britain over the next decade, summed-up events this way: "What we are witnessing is an unravelling of the 19th and early 20th century industrial concentrations, which were the result of the inflexibility of transport and power systems in which fixed nodes were an important element. The advent of motor transport, electricity and a gas pipeline grid has removed the advantage of cities."



Alan Harper

Country towns and attractive conurbations with populations of 100,000 to 150,000 are becoming magnets for new economic activity. Cambridge (above) also boasts Britain's most successful Science Park development

Much of the economic data of recent years has illustrated the shift in importance away from the cities and towards the country towns. Over the period 1960-81, manufacturing employment in London and the other large conurbations declined by about a half; in free standing cities of more than 250,000 people the decline was nearly 30 per cent; while in towns with populations between 100,000 and 250,000, employment decreased by about a fifth.

On the other hand, in small towns (with 35,000 to 100,000 citizens), the decline was only 1.4 per cent and in rural areas, manufacturing employment, admittedly from a small base, increased by 24 per cent.

A similar picture is obtained by looking at the relative economic prosperity of the different regions of Britain. Between 1971 and 1984, total output of goods and services in East Anglia, the South West and East Midlands, all predominantly rural regions, grew by between 15 and 34 per cent, compared with much more modest increases or declines in all other areas of the country.

In terms of population, too, the rural areas are booming. Over the two decades to 1984, the numbers living in East Anglia rose by a quarter, while for the South West and the East Midlands the increases were 15 and 11 per cent. This compares with overall declines or increases of a few percentage points in other parts of Britain.

The reason for the disparity is not unusually high levels of fertility but rather that people are voting with their feet and moving to regions of the country where there is greater prosperity and better economic prospects. The consequences for the country as a whole is that the less skilled and less highly motivated sections of the population are becoming left behind in the cities and urban areas. The political challenge is to spread economic growth in order to try to prevent the social disintegration of some of the large conurbations which, only a few decades ago, were Britain's boom areas.

Peter Marsh

A CASE STUDY IN REGIONAL SELECTIVE ASSISTANCE

Why a pump producer went West

AFTER 86 years in Reading, SPP Pumps is moving its pump-making activities in the autumn to Coleford in the Forest of Dean, on the border with Wales.

The move has been accompanied by help from the Government under its regional programme. Coleford is in an intermediate area, which means that although automatic grants are not available the company was able to qualify for regional selective assistance.

After considering aspects of the move, such as the number of jobs affected and the sort of work being undertaken, SPP will receive £600,000 towards a total investment in excess of £3m. This grant is made by the Department of Trade and Industry because this project both saves jobs in Coleford and creates a number of fresh ones, too.

"A move from Reading was almost inevitable," according to Mr Bob Crane, finance director of SPP, the parent company. "The site at Reading is old and even though we have spent money on it over the years, it is becoming increasingly expensive to maintain.

"In addition, it is increasingly difficult to get skilled workers in the area and, due to the high cost of accommodation, it is extremely difficult to recruit such workers from other areas. So we took the decision that Reading was not the place we ought to be in 10 years time."

But where to go? SPP was aware of regional assistance and the sort of incentives available in the development and intermediate areas.

"We had kept an eye on regional assistance over the years," Mr Crane says, "and had indeed seen some of our competitors benefit from the system.

"We also had good guidance from our professional advisers, Deloittes, who had specialists working in this field."

The choice of Coleford was slightly fortuitous and, to an outsider, may not seem the first place to locate an industrial undertaking in need of high mechanical and engineering skills.

When last September it took over the old-established business of Henry Sykes, which already had an operation in Coleford, SPP had been looking further west, into South Wales, where 15 per cent mandatory grants are available in many parts towards new buildings and new machinery.

The original intention had been to move the combined operation—SPP and Sykes—in toto to a greenfield site. One site in Holland, where SPP had a plant, was canvassed but early on fell by the wayside. Then the advantages of developing a brownfield site began to take hold in SPP's offices and it was decided to enlarge the Gloucestershire works

Had SPP not been thinking of closing Coleford as well it is doubtful under the Government's stringent rules whether it would have got as much help as it did. The additionality rules, by which a company has to show that it would not go ahead with a project unless it is assisted, are now adhered to strictly within Whitehall

The South West Regional Office of the DTI are deeply concerned at the potential job losses in an area of already high unemployment and were highly supportive of SPP['s plans].

Strong support

Coleford itself had a number of advantages. Apart from the Sykes plant, there is a pool of labour available and, more important, there is both skilled labour and government training centres in the area.

In nearby Cinderford a Rank Xerox plant, which though it has had to cut back on its workforce, is still operational, and the town at one time housed a Lister Engineering plant.

"Quite a bit of training will have to be undertaken," according to Mr Andrew Thompson, business development manager, "but the important thing is that there is a tradition of manufacturing industry in the area."

Sykes employed about 140 people in Coleford and was the second largest employer in the Gloucestershire town. To these "saved" jobs will be added an another 60 which will be created as a result of the switch. Since SPP Pumps has about 210-220 engaged in manufacturing in Reading, as well as a similar number of corporate and administrative staff, some reshaping of the company is inevitable.

This has been made necessary because of the fall in oil prices, which has seriously hit the market for pumps. SPP specialises in three main areas: fire pumps as in fire fighting, fixed fire protection and off shore fire installations; environmental and industrial. In 1985, before the takeover of Sykes, it had a turnover of £32m and the combined group is now slightly over £50m.

Founded just over a century ago it was the subject of a management buyout in October, 1983 and two years later went public under the chairmanship of Mr J. A. Nutt.

Last September it bought Henry Sykes which was strong in the use of water pumps and, like SPP, had active markets in the Middle East.

The slump in Middle Eastern markets hit both SPP and Sykes which were also affected by the drop in North Sea activity.

"This fall led to under-utilisation at the Reading plant," Mr Crane says, "and so a major re-organisation was necessary. Relocation was an essential part of that re-organisation."

The one problem which Mr Crane admits to having difficulty with is in convincing the younger professionals on his staff of the merits of moving to Gloucestershire.

It is not that they dislike the "countryside," compared with Reading's more urban merits. They fear that, with the considerable difference in house prices, they might find a move back to the Home Counties out of the question should they want to retrace their steps. Mr Crane is sanguine.

"We'll get over it. It's a good decision," he says.

Anthony Moreton

Impact of the Eurotunnel project

Benefits will spread far and wide

EUROTUNNEL, the Anglo-French consortium established to build the Channel Tunnel, estimates that up to 20,000 people in Britain alone will be involved in building or supplying equipment for one of the world's greatest construction ventures.

Many of these jobs, because of the traditional geographic spread of engineering industries in Britain, will be located in regions which have seen the greatest fall in employment as engineering and manufacturing sectors have declined.

Regions heavily involved in manufacturing engineering and construction equipment, steel fabrication, or producing railway equipment and rolling stock will be obvious beneficiaries during the six years of construction: but what benefits will the tunnel bring to these regions once it is built?

The British end of the tunnel will emerge in south-east England: an area which is already one of the most economically successful regions in the country and which surely does not require the kind of stimulus that the tunnel will bring?

By comparison, the French end of the tunnel emerges in the depressed region of northern France which is already devising strategies to take full advantage of the benefits the tunnel will bring in attracting new industries which will want to be close to the mouth of such a vital communications route.

Impact

Eurotunnel, however, argues that it would be shortsighted for Britain to regard the tunnel as a piece of infrastructure whose benefits are in the main likely to be restricted to the south eastern corner of the country.

It points to a recent British Rail survey which estimates that 70 per cent of goods from Britain carried through the tunnel to the Continent is likely to come from factories and warehouses north and west of Watford.

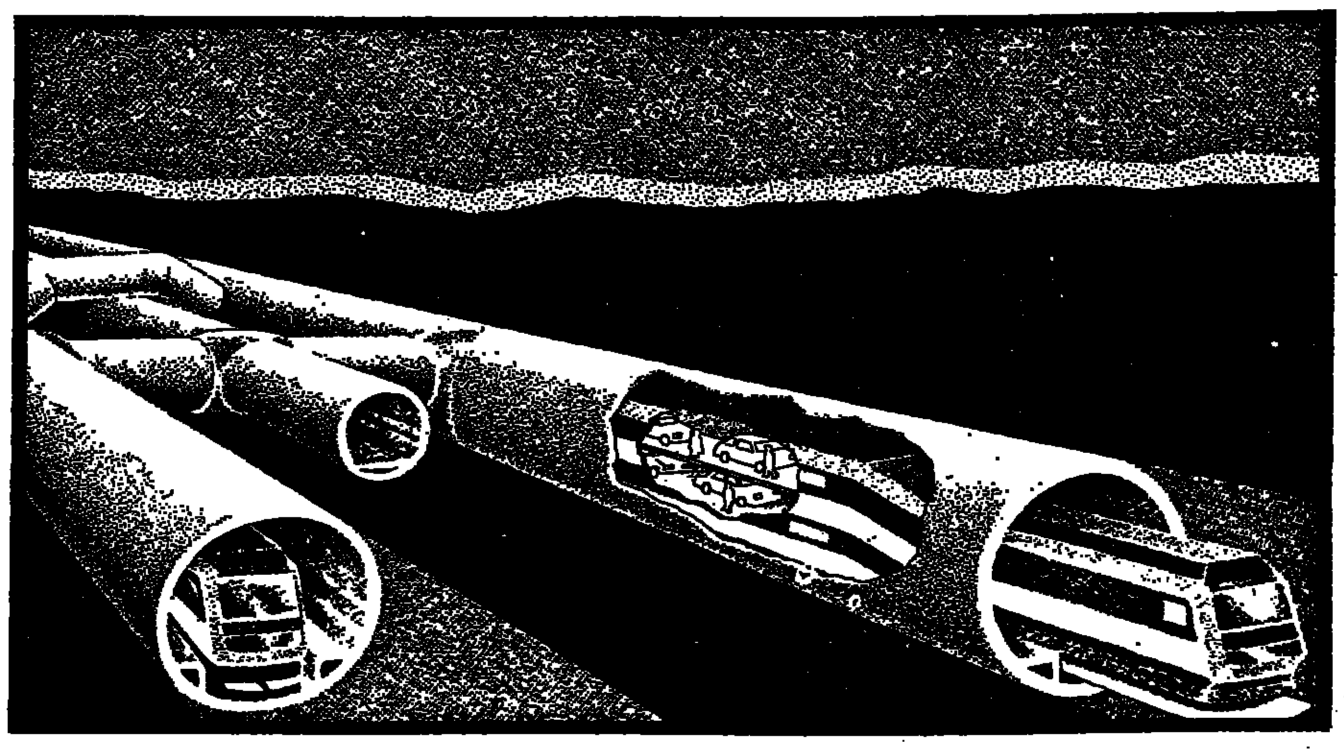
The tunnel may also have a significant impact on the way goods are transported in Britain which, by comparison with the Continent, transports a much higher proportion of freight by road than by the state-owned railway.

Eurotunnel says that BR figures show that only 3 per cent of internal freight is carried by British Rail by comparison with 12 per cent by the state-owned SNCF railway system in France.

The tunnel, it says, will cut journey times and reduce costs for manufacturers which previously have relied on a combination of road, cross channel ferries and, on the other side of the Channel, road or rail transport to get their products to destinations on the Continent.

"Companies using the rail link through the tunnel could save up to 48 hours in travel time to Continental destinations which currently take up to 60 per cent of all British exports," says BR.

One of the reasons for the popularity of road transport in Britain is the economics of rail traffic which do not start to make sense until goods are transported for a distance of 300 km or more.



The 31-mile Eurotunnel is likely to be one of the world's greatest construction projects. By July the construction consortium should be close to completing plans to finance the rail tunnel through a mix of loan agreements and share issues totalling £6bn

The tunnel to be built by the consortium, will be a 31-mile-long rail-only tunnel which will link the British Rail network directly into the Continental rail system and encourage more manufacturers to consider rail as their main transport option, say the promoters.

Rail freight traffic can already bypass London travelling to the west of the capital via Willesden. Similar plans are being considered by BR to ensure that passengers travelling from other parts of Britain will not have to change trains and mainline stations in London in order to get to the Continent.

The fleet of wagons capable of using the different loading gauges in Britain and other countries in Europe is also proposed to be extended.

The prospect of improved communication with the Continent is already exciting some cities outside the south east of England. Clydeside, in Scotland, for example, is examining ways to improve its status as an entrepot port: unloading goods from ships from North America to be then shipped by rail directly to other Continental destinations.

The saving in sailing times between Clydeside and Rotterdam would be as much as 1½ days, says Eurotunnel.

Questions

Sheffield in south Yorkshire is also considering a proposal to establish an inland clearance depot in the city to take advantage of the tunnel says the consortium.

The greatest benefits of the tunnel in terms of encouraging new industry and commerce to establish new works is, however, likely to arise in the south-east.

The existence of the tunnel is likely to encourage property developers and service and distribution companies to search for sites around its entrance in the same way that companies have sought to locate their operations to the west of London to be near to Heathrow airport.

The completion of the M25 orbital motorway around London and plans to build a new river crossing over the Thames at Dartford will make the region even more attractive to commercial property developers.

This could create problems for the British Government which, because of the high level of unemployment in other regions, may not be over anxious to stimulate increased activity in this part of the country; yet may not want to lose out to the French who are actively encouraging new development at the other end of the tunnel in depressed northern France.

What happens, for example, if a Japanese manufacturer seeking to locate in Europe is being encouraged to move to the French end of the tunnel by a series of state approved grants and incentives?

Do the British try and match these at their end of the tunnel and risk upsetting other regions with greater unemployment problems?

The placing of orders by the consortium for the construction of the tunnel is likely to pose less of a problem in terms of creating regional conflict. Contracts so far placed by Eurotunnel have been won by a spread of companies located in various parts of the country.

These include a £6m order for two tunnel boring machines placed with Howden (Grosvenor Tunnelling) and a £1.2m order for rack and pinion adhesion locomotives placed with Hunslett of Leeds. A £13m cement order has already been won by Blue Circle.

At least 30 per cent of the construction costs of the Channel Tunnel, valued at £2.6bn at 1985 prices, must go to companies other than the ten leading British and French contractors which last year won the main build contract.

EEC legislation also requires that any subcontract worth more than Ecu 1m (about £700,000) must be put out to international tender and advertised in the Official Journal of the European Community.

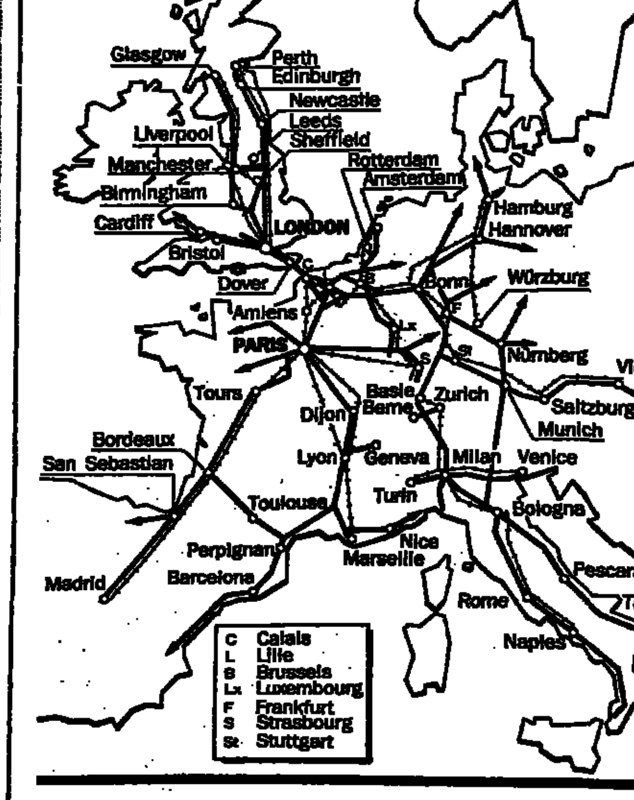
The Department of Trade and Industry, to try to ensure that UK companies win as much of this work as possible, has established a small permanent team of civil servant advisors to advise would-be sub-contractors.

The team is already in contact with British companies most likely to bid for work. It is also providing details of contract opportunities through the department's own regional offices and through chambers of commerce and trade associations.

"To make sure that opportunities are not lost it is essential, however, that companies carefully scrutinise the Official Journal of the EEC," says the department.

Andrew Taylor

How road and rail links connect



Crucial period ahead

THE NEW year brought with it the most testing periods so far for Eurotunnel, the Anglo-French banking, engineering and construction consortium, chosen by the British and French governments to build the 31-mile railway tunnel.

The next 200 days will be crucial in deciding whether one of the world's greatest construction projections will go ahead.

By the end of July the consortium should be able to tell how successful the UK Government has been in steering the Channel Tunnel Bill through Parliament. It should also be close to completing its plans to finance the tunnel through a mixture of loan agreements and share issues totalling around £6bn.

The final piece in this complicated financial jigsaw should be a £750m international share sale in July which for the first time will be open to the British and French public.

Eurotunnel recognises it has a lot of work to do if it is to recapture the ground it lost last year when, after a series of unfortunate delays, it struggled last October to raise £206m in an international share placing.

During the placing a number of leading British pension funds questioned the viability of the project. Many believed the venture was too risky and that the rate of return being offered was too low, given that the first dividends would not be paid until after the tunnel opens in 1993.

The consortium will have to overcome some of these reservations if this summer's public offer for sale is to succeed. Failure could jeopardise loan and standby credit agreements for up to £5bn with around 40 international banks.

Eurotunnel is currently preparing plans to underwrite the summer issue. It has also strengthened its board with the arrival, as a non-executive director, of Sir Nigel Broackes chairman of Trafalgar House, the shipping, construction, property and hotels group.

Sir Nigel was the driving force behind EuroRoute, a rival consortium, whose plans to cross the Channel by a combination of a bridge and tunnels, was pipped by Eurotunnel a year ago. He has been given the task of helping to raise Eurotunnel's profile and to help steer the consortium through the next few difficult months.

On the political front things appear to be running more smoothly for the consortium: despite the vociferous opposition of cross channel ferry companies, environmentalists and local residents. The main elements of the Bill have so far been left intact and few major changes are expected to be made during the Committee stages in the Commons although the debate over safety has still to be completed.

Andrew Taylor